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Cooperatives-Partners in American Life
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Proceedings
of
Cooperative
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Observance
October 1965

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constitute an endorsement by the
U.S. Department of Agriculture.

The 1965 Observance

The 1965 Observance of October as Cooperative Month saw 9 Federal Departments and agencies and also a group of cooperative organizations engaged in international work join with the U.S. Department of Agriculture in programs, seminars, and other activities.

The Department of Agriculture had officially recognized Cooperative Month for the first time in 1964. A number of States had been holding such observances for a number of years with the State councils of cooperatives stimulating activities in their States, and in 1965 nine additional states and the District of Columbia officially joined in the Observance.

Theme of the 1965 Observance was Cooperatives--Partners in American Life, and the events were keyed in to this theme.

Among those participating in the Washington Observance were national cooperative organizations represented on the Cooperative Advisory Committee--American Institute of Cooperation, The Cooperative League of the USA, National Council of Farmer Cooperatives, National Federation of Grain Cooperatives, National Milk Producers Federation, and National Rural Electric Cooperative Association. Also participating were CUNA International, Madison, Wis., and National Telephone Cooperative Association.

Attending the various programs were members of the Federal Farm Credit Board, officials of cooperatives, communications personnel from cooperatives, State Extension Service personnel attending a workshop during the week, government personnel, and others.

Press kits, special publications, special showings of movies on cooperatives and radio and television coverage helped the Department tell the story of cooperatives and of the Observance across the country. United States Information Agency also taped several of the major talks for broadcast overseas and sent out press and feature material.

The Department of Agriculture and the Department of Commerce made a presentation of the President's E Award on Opening Day to representatives of Diamond Fruit Growers, Hood River, Oreg.

A resolution passed at the 1965-66 annual meeting of Midland Cooperatives, Minneapolis, Minn., indicates a typical favorable response to this Observance that has now become an annual event:

"RESOLVED, that the following statement be adopted as the sentiment of the Annual Meeting:

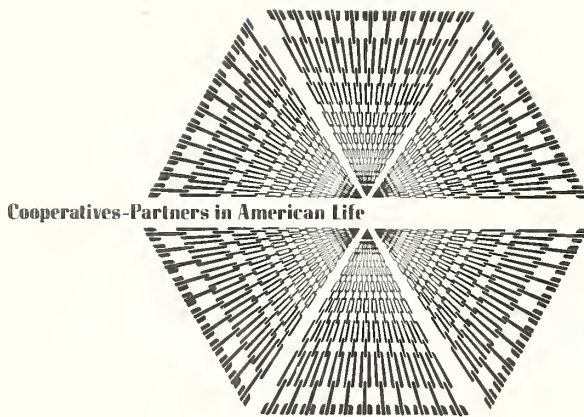
"The United States Department of Agriculture has, during the past few years, initiated many new programs designed to help not only farmers, but all consumers. Its

efforts in this direction are in concert with the efforts of cooperatives such as Midland, serving as partners to people seeking a better way of life.

"For the past two years, the U.S. Department of Agriculture has spearheaded the Co-op Month promotion in our national capital. In so doing, it has conducted numerous seminars and other programs to call attention to the work of cooperatives. The Department has also encouraged and assisted other Federal agencies to recognize and support the cooperative technique.

"In addition to Co-op Month recognition, the U.S. Department of Agriculture has throughout the year rendered assistance to cooperatives, and encouraged people to use cooperatives as a tool to improve their social and economic well being.

"We express our appreciation to Secretary Orville Freeman and the entire staff of the United States Department of Agriculture for these efforts."



As Cooperative Month, October is a fitting time for a reassessment of the responsibilities, opportunities, and aims of the partnership of cooperatives in American life.

Cooperatives give our American farmer a greater voice in how to buy, sell, and receive necessary supplies, marketing and other services. They provide an essential business tool for rural America. Their vital role in our economy makes it imperative that more of our people know and understand the important partnership which they form.

I know of no partnership which affects so many areas of national life--marketing, consumer purchasing, credit, housing and insurance are only a few. Nor do I know of a partnership which results in such a productive sharing of knowledge, manpower, money, and even equipment with people here and abroad.

I have seen cooperatives grow up. Their performance over the past half a century is reason for great pride. Their future success lies in their ability to assume new responsibilities with the same self-reliant spirit of the past, to explore their capacity to help in America's war on poverty, to broaden their programs to bring hope to areas of need, and to advance the general economic and social well-being of our society.

Lyndon B. Johnson

Opening Day Ceremonies

INTRODUCTORY COMMENTS

BY JOHN A. BAKER

Assistant Secretary

We are having our first birthday today. It was just one year ago that we held the first U.S. Department of Agriculture Cooperative Month Observance.

We joined then--as we are doing this year--with hundreds of cooperatives and communities out over the country in recognition of October as Cooperative Month. Councils of cooperatives in a number of States have taken the leadership in such observances for many years.

This year we are all working together in a joint effort during the observance to accomplish a two-fold purpose. First, we want to give recognition to the self-reliant citizens of the United States who have built their cooperative businesses into the productive enterprises they are today. Second, we want to stimulate people to learn more about cooperatives--for with understanding will come a better appreciation of the basic truth that cooperatives are indeed partners in American life.

The Department of Agriculture is particularly pleased to have other government departments and agencies joining us this year for the first time in the Cooperative Observance. Together, we have quite a busy time lined up--a total of 9 seminars, daily showings of movies in the Patio theater and Room 1605, and two special showings early next week of movies on cooperatives and some from abroad on their cooperatives.

We will have a seminar on New Developments in Rural Cooperative Finance on October 7, here in the auditorium.

There will be a seminar on Communications this Friday, October 8. We are honored to have Marquis Childs as the guest speaker. He will discuss cooperative communications from a broad background of experience as a newspaper man and columnist and from his two books on cooperatives--Sweden the Middle Way, and The Farmer Takes a Hand--The Electric Power Revolution in Rural America.

Now--on the platform with us today we have many of our partners in this Observance, as well as partners in our continuing programs to help people do things with their cooperatives that they can't do as effectively as individuals.

Guests introduced included: Representatives of the National Cooperative Advisory Committee--J. K. Stern, President, American Institute of Cooperation; Kenneth D. Naden, Executive Vice President, National Council of Farmer Cooperatives; Dwight Townsend, Director, Washington Office, The Cooperative League of the USA; Bruce Hendrickson, Assistant Executive Secretary, National Federation of Grain Cooperatives; William Murray, Assistant to the General Manager, National Rural Electric Cooperative Association; and Mike Norton, Jr., representing National Milk Producers Federation.

Representatives of the Departments and Government Agencies participating in the Observance--Alex B. Trowbridge, Assistant Secretary of Commerce; J. Deane Gannon, Director, Bureau of Federal Credit Unions; John A. Carver, Jr., Under Secretary of Interior; Curtis Aller, Director, Office of Manpower Automation and Training; William S. Gaud, Deputy Administrator, Agency for International Development; Harry E. Johnson, Director, Cooperative Housing Division, Federal Housing Administration; Lyle C. Carter, Assistant to the Director for Inter-Agency Relations, Office of Economic Opportunity; J. T. Dock Houk, Deputy Administrator of the Inter-American Cooperative Bank Development Program; L. Clyde Carter, Chairman of the Federal Farm Credit Board, and General Manager, Arkansas Rice Growers Cooperative Association, Stuttgart; and Robert B. Tootell, Governor, Farm Credit Administration.

Representatives of the Secretary of Agriculture's staff--Under Secretary John A. Schnittker; Deputy Assistant Secretary Alfred L. Edwards; and Raymond A. Ioanes, Administrator, Foreign Agricultural Service.

The keynote speaker for today has in reality long been a keynote speaker for cooperatives and their effective role in Rural America. He has been a forceful spokesman for the good that cooperatives do and a strong supporter of their rights to function as equal partners in our system of business.

He has given strong leadership and able guidance to all in the Department in their work with cooperatives. He appointed the Cooperative Advisory Committee soon after he came to Washington. He issued the U.S. Department of Agriculture policy statement on cooperatives in 1963 and directed all agencies and employees to cooperate fully with rural people in strengthening their cooperatives. He has since followed through in many ways to see that this policy was put into action.

He has never hesitated in letting it be known that he sees cooperatives as most effective in helping us retain our heritage of family farms, as extremely valuable in raising incomes and hopes of members and others in the community, and as pointing a way for emerging countries to improve the lot of rural people.

It is with great pleasure--and with appreciation for his firm support in our cooperative endeavors--that I introduce the Secretary of Agriculture--the Honorable Orville L. Freeman.



Assistant Secretary Baker introducing Secretary Freeman, seated at his left. Others in this front row, from right, are A. B. Trowbridge, Assistant Secretary of Commerce; John A. Carver, Jr., Under Secretary of Interior; Mr. Townsend; and Mr. Stern.

Federal Farm Credit Board convenes to be introduced at opening day of Cooperative Month in USDA. Front row, from left: Julian B. Thayer, Middlefield, Conn.; William T. Steele, Jr., General Manager, Southern States Cooperative, Richmond, Va.; Lorin T. Bice, Haines City, Fla.; Marion A. Clawson, Eaton, Ind.; R. Watkins Greene, Abbeville, La.; Arthur J. Smaby, General Manager, Midland Cooperatives, Inc., Minneapolis, Minn.; and L. C. Carter, Chairman of the Federal Farm Credit Board, and General Manager, Arkansas Rice Growers Cooperative Association and of the Arkansas Grain Corporation, Stuttgart. Standing, from left: David G. Gault, Manager, Mid-Tex Milk Producers Association, Austin, Tex.; Kenneth T. Anderson, Emporia, Kans.; Joe B. Zeug, Walnut Grove, Minn.; Jennings B. Fuller, Torrington, Wyo.; Ralph K. Cooper, Buckeye, Ariz.; Robert T. Lister, Prineville, Oreg.; and FCA Governor Robert B. Tootell.





Opening day of USDA's Cooperative Observance brought this group to the platform. Secretary Freeman, in center, gave keynote address and, second from left, is Assistant Secretary Baker, General Chairman of the Observance. Representatives of the National Cooperative Advisory Committee attending were, from left, Bruce Hendrickson, Assistant Executive Secretary, National Federation of Grain Cooperatives; William Murray, Assistant to the General Manager, National Rural Electric Cooperative Association; Dwight Townsend, Director, Washington Office, The Cooperative League of the USA; J. K. Stern, President, American Institute of Cooperation; Kenneth Naden, Executive Vice President, National Council of Farmer Cooperatives; and Mike Norton, Jr., representing National Milk Producers Federation.

Secretary Freeman presents E Award to representatives of Diamond Fruit Growers at Opening Day. On his left is G. C. Crossland, General Manager, and to his right is Ray T. Yasui, President of the cooperative. Others, from left, are A. B. Trowbridge, Assistant Secretary of Commerce; and Representative Al Ullman; William Berg, Jr., Administrative Assistant to Sen. Wayne Morse, and Lloyd Tupling, Administrative Assistant to Sen. Maurine Neuberger, the last three, the Oregon Congressional delegation on the platform.



KEYNOTE ADDRESS

BY ORVILLE L. FREEMAN

Secretary of Agriculture

It was just a year ago that many of us here today met to launch the first nation-wide observance of October as Cooperative Month.

The months which separate that day from this make up one of the most dynamic, dramatic and progressive periods in our nation's history.

We have experienced another year of uninterrupted economic growth. . . . of rising employment and income. . . . of intensified efforts on every front in improving the quality of American life.

In agriculture--the focal point of the Cooperative Month observance--1965 has already achieved historic stature.

Realized net farm income is breaking through the \$12 billion ceiling--will amount to at least \$13.5 billion, the highest mark in more than a decade.

The harvest season is bringing new records in yields-per-acre, and in total food and fiber production.

Exports of agricultural commodities are headed toward another fiscal-year high.

Consumers are spending a smaller percentage of their incomes for an abundance of quality foods than they spent five years ago, and much less than they spent 15 years ago.

Moving toward final action by the Congress is the most far-ranging and promising package of farm and food legislation we've known in more than a quarter of a century.

Agriculture is moving steadily ahead in this decade of the 60's.

Threaded tightly into this record of progress is an achievement all too often overlooked, misunderstood, or misinterpreted. It is an achievement basic to long-term retention of desirable economic and social values in our society. It is this:

The adequate family farm is stronger than it was--in numbers. . . . in productivity in potential for continuing the era of food and fiber abundance.

This fact does not overlook the decline in total numbers of farms and farmers.

What's happened is that the decline has been at the ends--not in the middle. The drop-off has been in farms lacking resources to provide rising earning opportunity--those that gross less than \$10,000 a year--and in the larger-than-family farms, those that use more than one and a half man-years of outside labor.

The adequate family farm is a farm with sufficient resources and productivity to yield enough farm income to meet expenses for family living; for farm expenses, including depreciation; for maintenance of the livestock herd, equipment, land and buildings; for interest on borrowed capital; and with enough capital growth for new investments required to keep in step with technological advances and rising levels of living.

In brief, the adequate family farm is one with resources sufficient to equip it for survival in the competition of modern day agriculture. This does not imply that all these farms provide fair incomes for the families working them. The truth is most families on adequate farms earn well below parity, or equality, of income in comparison with families making similar investments of labor, management skills and capital in other sectors of the economy.

Parity of income opportunity for adequate family farms that will fit them for more than a chance for survival remains a national goal. Significant progress in that direction has been made this year. With the new tools provided in the Food and Agriculture Act of 1965, we can anticipate accelerated growth in opportunity for the adequate family farm to achieve parity of income by the end of the 60's.

Still, if we are to build upon our progress and gain maximum benefit from new legislation in insuring the future of the adequate family farm and free enterprise agriculture, something more must be added.

That something more is a fair-share of marketing power for the producers of food and fiber.

I would urge that accelerated movement toward that objective be a dominant theme of every cooperative celebration and observance during Cooperative Month.

This doesn't mean the cooperative movement has all the responsibility, or all the opportunity, for maintaining the adequate family farm and increasing the number of such farms.

But the cooperative movement does carry a substantial share of the responsibility--for it has the experience, the leadership, the skills, the resources that will help farmers get more of the muscle and voice they need in the market place.

It is meeting responsibility, responding to opportunity.

In 1961 I reactivated the long-dormant National Advisory Committee on Cooperatives with the aim of improving communication and widening the avenues of cooperation between the Department of Agriculture and the cooperative movement.

This committee met frequently, and worked hard. It submitted to me its recommendations on how we could best attain common objectives. These recommendations, most of which have been put into effect, made it clear that the primary interest of the nation's cooperatives "is the long-run future health of an American pattern of owner-operated agriculture and the long-run future economic and social health of rural America."

It is in advancing this primary interest that the Department of Agriculture--philosophically and through the directives contained in law--finds a constructive working relationship with cooperatives.

I believe this relationship is better than it was a year ago--and I am convinced we can build upon it for continued progress in helping farm and non-farm rural people improve their economic, social and cultural environment.

Acting upon the Advisory Committee's recommendations, and in implementation of the Policy Statement on Cooperatives I gave to all agencies of the Department of Agriculture in 1963, the Department has:

1. Broadened its economic research, with emphasis on marketing;
2. Improved its educational and informational programs related to organization and operation of cooperatives;
3. Expanded its technical assistance and consultation services;
4. Successfully encouraged better liaison between cooperatives and the Department at regional and state levels;
5. Helped make the use of cooperative philosophy, principles and mechanisms a significant part of the accelerated efforts to bring parity of opportunity to rural America.

All these areas of USDA-Cooperative joint activity are important. But particularly close to my heart are those efforts which see individual, neighborhood and community resources being pooled for the achievement of parity of opportunity and elimination of poverty in rural America. Small in comparison with more highly-publicized projects and programs, they are big and dramatic in the lives of the participants.

Here are some success stories I want to share with you:

In Overton County, Tennessee, a dozen men--including three underemployed farmers--organized a cooperative. With a \$10,000 Department of Agriculture Opportunity Loan, this co-op purchased a coal loading machine. The equipment has made it possible for the 12 men to turn out 80 instead of 40 tons of coal a day--and they anticipate boosting the volume to 100 tons before the end of the year.

Before the loader was available, the take-home pay of the men averaged \$6 a day. Now it is \$12. It can, at the hundred-tons-a-day loading pace, reach \$16. Some of these workers are now covered by social security and workmen's compensation for the first time.

The cooperative has seven years in which to pay off the \$10,000 loan. It expects to retire it in three.

A \$55,000 loan to the Southaven Farmers Market, a cooperative-type association serving small fruit and vegetable growers in Mississippi, paved the way for a 50 to 100 percent boost in the net incomes of members. They bought land, erected a sales facility including 40 stalls, and added a temperature-controlled storage building. Improved facilities and marketing methods brought more customers.

As of mid-July, 82 cooperative associations in 19 states--owned by rural families--had obtained Economic Opportunity Loans.

In addition, the cooperative approach to creation of additional or new earning opportunities has been adopted in forestry, in grazing, in recreation, and in the construction of better communities through addition of water systems and senior citizen housing.

In many instances the new cooperatives are the result of encouragement and assistance provided by the established cooperatives. Many of the new co-ops are receiving continued guidance and management assistance from experienced co-op neighbors. Such actions place the cooperative movement in the front ranks of the advancing forces in the war on poverty.

Every step, long or short, taken toward achieving parity of opportunity in rural America is a good step.

Still, the long-term growth of the entire rural economic and social structure is tied to success in maintaining a strong family farm system. That means the families on those farms must get, and keep, parity of income.

They know how to produce all of the food and fiber we need and want--at home and abroad--and they have the capacity to produce far more than that amount. They've outpaced every other sector of our production complex in efficiency.

The food production system has not been static.

But neither has the marketing system. It has undergone spectacular changes. It, too, has achieved great efficiency.

The efficiency gains of farming and marketing, put together, make an impressive total. But the rewards for efficiency experienced by the two segments of the food economy reveal alarming disparity.

Unless greater equity in rewards is reached, the long-run future health of the American pattern of owner-operated agriculture and the long-run future economic and social health of rural America are in jeopardy.

Here is what's been taking place:

In 1950, per person expenditures on marketing services in food were \$180. In 1964 they were \$284.

In 1950, per person expenditures for the farm value of food were \$132. In 1964 they were \$133.

The average per capita outlay for food was \$105 more in 1964 than in 1950--but marketing firms received \$104 of the increased consumer expenditure and farmers received just one dollar.

Because consumers' incomes were up in 1964 over 1950, they actually spent a smaller percentage of their incomes for food last year--18.5 percent compared with 22.8 percent. Consumers received 86 percent of these savings from farmers, 14 percent from the marketing sector.

The world's greatest system of food and fiber production came about because farmers put brain-power and muscle-power into its construction.

The time is here for them to put the same quality of skills into the marketing phase of the food economy--to follow through like a winning baseball pitcher or golfer.

Unless our farmers unite to achieve an authoritative and equitable role in marketing, they will not in the long run obtain parity of income opportunity regardless of how effectively their production systems and supply management and price support programs are operated.

The need to understand the changes which have taken place in food marketing has not been overlooked by the President and the Congress.

The National Commission on Food Marketing was created to bring into focus all the facts related to marketing, so our people can be better informed and more adequately equipped to take any actions in serving the general welfare that studies of the Commission show desirable.

The Commission has scheduled hearings in Washington next month--November 3 and 4--and has invited testimony on how farmers may strengthen their bargaining power.

I respectfully urge representatives of cooperatives and farm organizations to put meaningful facts, experiences, ideas and proposals into the Commission's hearing record so that its report to the President and the Congress will have the highest possible value to all of us--producers and marketers of food and fiber, as well as the legislative and administrative branches of government--in the decision-making process that lies ahead.

Cooperative Month falls during the harvest season--a traditional time for taking inventory of the fruits of past efforts. All of us can find comfort in the accomplishments of agriculture. And, as President Johnson pointed out in connection with this observance, cooperatives can take pride in their performance over the past half-century.

But I would emphasize the words with which the President concluded his statement on cooperatives. He said:

"Their future success lies in their ability to assume new responsibilities with the same self-reliant spirit of the past, to explore their capacity to help in America's war on poverty, to broaden their programs to bring hope to areas of need, and to advance the general economic and social well-being of our society."

The same formula for future success applies to the United States Department of Agriculture.

Let's use it together.

Seminar I - Closing the Gap in Cooperative Communications

**CHAIRMAN -- HAROLD R. LEWIS, Director
Office of Information, U.S. Department of Agriculture**

Chairman's Comments

This seminar has a solid purpose because communications in cooperative businesses are extremely important. The cooperative press--that is, the member publications going out from marketing, purchasing, and service cooperatives--reach an audience of about 7.5 million people.

The purpose of the meeting today is to look at ourselves and see what gaps there are in communications and discuss what we need to do to close these gaps.

Introduction of Mr. Childs by Rodney E. Leonard, Assistant to the Secretary

Marquis Childs is a man with high competence in journalism, well known through his syndicated column and author of two books on cooperatives. His book, *Sweden--the Middle Way*, was a major contribution to better understanding of cooperatives by the general public. His second book, *The Farmer Takes a Hand*, told the dramatic story of a revolution generated by farmers through their rural electric cooperatives.

BROADEN COMMUNICATIONS HORIZONS

**BY MARQUIS CHILDS,
Chief of the Washington Bureau
St. Louis Post Dispatch**

In my task as a columnist and commentator, I believe there is something presumptuous. Let me quote from a friend who said, "Be not angry that you cannot make others as you would have them be since you cannot make yourself as you would like to be."

A long time ago I wrote a book on cooperatives, *Sweden the Middle Way*, at a time when people were saying the only choice was between the extreme right of Fascism in Italy and Germany and of Communism in the Soviet Union. After two or three visits to Sweden I wrote that it should be useful to know one country was working out a middle way with cooperatives between capitalism and the extremes offered by the violent right and left.

On the left, Joseph G. Knapp, Administrator, Farmer Cooperative Service, talks with Marquis Childs, featured speaker at the Communications Seminar. They stand before duplicate of an FCS display used at Associated Country Women of the World meeting in Ireland in September. Mr. Knapp had just returned from addressing this group.



Symbol and theme, Cooperatives--Partners in American Life, sets stage for USDA's Cooperative Month observance. Participants in seminar on Closing the Gap in Cooperative Communications are, from left, featured speaker Marquis Childs, Washington Bureau, St. Louis Post Dispatch; Mrs. Beryle Stanton and Rodney E. Leonard, USDA; Charles Higgins, National Newspaper Association; Harold R. Lewis, USDA; Loren Osman, Milwaukee Journal; George Stephens, KCMO, KCMO-TV; William Corwin, Southern States Cooperative; Merril N. Knapp, Agway, Inc.; and Harry L. Oswald, Arkansas State Electric Cooperative.



In this matter of communication, especially in writing a book, time is supremely important. When a book comes out determines a great deal whether it is going to be read, received, listened to, or not. This book in January 1936 had a lucky bit of timing.

A reviewer in the New York Times said it should be read by Franklin D. Roosevelt, then President of the United States. As a young author, I was immensely gratified.

Later President Roosevelt sent a special commission to study Sweden's work with cooperatives. Of the 13 books I have written, this one cast the longest shadow.

Cooperatives have had extraordinary material success in many of their endeavors. This cooperative idea has been carried into many fields successfully across the country. You have done this by hard work, as I discovered in the process of writing *The Farmer Takes a Hand*, a book on rural electric cooperatives.

Now you have an obligation to carry this concept a step further. Some of the remarkable things about cooperatives in Scandinavian countries are their adult education classes and expansion into other fields. They use communications to expand and enlarge the whole tenor of the Nation's life.

I feel this is extremely important today.

The campaign Mrs. Lyndon B. Johnson has helped to initiate to beautify America helps sum up what I am trying to say to you. It isn't enough to have a great freeway that enables us to make 500 to 600 miles a day. It is not enough to have everything so perfectly organized. There is a larger dimension--the enjoyment of life in leisure, in contemplation, in beauty. She is saying that large areas of our national life are sterile, deadly, empty.

Before Newton N. Minow resigned as Chairman of the Federal Communications Commission, he talked about the wasteland in the great and powerful medium of TV. This suggests an obligation with regard to educational TV that cooperatives have. Here's a noncommercial medium that is struggling under great odds to gain acceptance. It has very small revenues. In your individual communities, you could utilize the potential of this educational TV network to carry challenging programs.

The national network of educational TV includes about 96 stations. If a community does not have an educational TV station, it is sometimes possible to get programs from one of these stations and have other stations run them.

Lots of first rate people will contribute their time and ability to such a community service.

I was interested in hearing about the use of TV programs in Arkansas by rural electric cooperatives. It helps the people of Arkansas learn about cooperatives.

Cooperatives also have a responsibility to help people on the lowest rung of the economic ladder. President Johnson says from now on we must make up for 100 years of neglect of large segments of our population. Cooperatives should help in every way possible.

But there is a much broader area of understanding. A whole understanding of the past is of great value, our relationships to that past, our roots in that past.

This is an area that cooperatives in Sweden have been furthering and exploring for a long time.

Scandinavians are particularly fortunate for their homogeneous background gives them an enormous head start in the sense of responsibility that goes beyond the individual and beyond the group in which an individual may give his allegiance.

In a broader sense, one of the tasks of cooperatives is to contribute to America's coherence, to see that their institutions are part of the larger community.

Cooperatives are out on the front line. They are doing the hard day-to-day work. I believe then material achievement is so positive that they can now afford to take a longer and larger look at where they are going.

Their contribution to the whole of American life can be greater than they had thought.

PANEL: THE MEDIA

COMMUNITY NEWSPAPERS RESUME OF COMMENTS

**by Charles Higgins, Director of Publications
National Newspaper Association, Washington, D.C.**

Many of the hometown newspapers that are members of National Newspaper Association (NNA) are published in communities where cooperatives are important to the economic life. These newspapers, therefore are important outlets for cooperative communications. They can help eliminate gaps in communications between the cooperatives and the people they serve.

Maintaining effective communications is a major problem for businesses of all types. A good example of lack of effective communications is the story of the company president who cabled his overseas manager: "Our Paris plant is losing too much money. Stop it." The reply was: "Have sold plant."

NNA has had to solve its own information gaps over the years. As examples, we moved from Chicago to Washington to keep abreast of governmental activities and report back to member newspapers; we improved format and printing of the Publishers Auxiliary, a publication going to every newspaper and to all Congressional offices; we upgraded our monthly magazine; and we make extensive use of a weekly legislative newsletter to keep our members current with Washington happenings that affect them.

Cooperatives have several things going for them in the field of communications. They play a very important part in the economic life of communities. I am very much impressed with the jobs they are doing.

Here are a few concrete suggestions, however, for cooperatives that may be helpful in improving their communications.

When sending in a news story, be sure to remember your newspaper's deadlines, and don't be afraid to send a photograph or two. Pictures improve a story and dress up the newspaper.

Two thousand newspapers switched to offset printing in the last decade, and thus can use more photographs. They want more pictures because they can be used more inexpensively than with letterpress printing.

Try to use as many names as possible in your news releases. Get to know your editor personally. A first-name relationship with your editor can be a big point in your favor. Call the editor on the telephone and thank him for a favorable cooperative story. Take him out to lunch one time. Get to know him.

Explain your activities with publicity in mind. When you add new facilities or hire new employees send a newspaper release. These activities are newsworthy. Try to follow the newspaper's style. Ask the editor for his style book.

Finally, give the editor neatly typed copy.

Now for the last point--and from my viewpoint maybe the most important. Don't forget to advertise in the local newspaper. Nearly 50 percent of income for the average weekly newspaper comes directly from local advertising. Your newspaper is a business that deserves your advertising support because it can carry your important message in a way no other medium can.

BETTER PRESS RELATIONS CAN HELP CLOSE THE GAP RESUME OF COMMENTS

**by Loren Osman, Farm Editor
Milwaukee (Wis.) Journal**

I am not too alarmed about a communications gap, although I agree that farmers' public relations over the years have not always been the best. And certainly both agricultural and cooperative communications won't get any easier in the future.

In the early days cooperatives were small and could reach their few members easily. Now cooperatives have grown bigger, just as has other business, and this does not make communications any easier.

The metropolitan press must communicate to everyone in its readership, and these are often primarily the city-oriented groups. Cooperatives therefore are in a tough battle for space as their stories must carry their own weight. The newspapers want the big story, although spot news and background of meaning of news can also be used.

A phone call to the daily paper at the proper time can help move a significant story, a point for cooperatives to remember. It should also be mentioned that it is important for the paper to hear from people on the farm about their cooperatives' stories, even though farm people are often shy about writing letters.

It is good to get to know the person on the daily paper who would be the one to handle a cooperative story. While cooperatives may not need high pressure public relations people, they do need competent, articulate, and coherent contact ones.

Cooperative stories should have a point of common interest for the urban readers of the paper.

I therefore believe that any gap in communications is not impassable. Some good cooperation between the press and the cooperatives should close it nicely.

GET ON THE RIGHT WAVE LENGTH

by George Stephens,
Director of Agriculture KCMO, KCMO-TV
Kansas City, Mo.

You folks in cooperative communications have been pretty much on the right wave length for a long time in my opinion. And, too, you obviously want to continue to improve your work and to keep up with changes or you wouldn't be involved in this type of meeting. You are to be commended for this approach because certainly anyone who stands still in these fast moving times is soon behind in the dust.

It is quite a challenge to make any suggestions about how to close the gap in cooperative communications when, if there is a gap, it is often because you are ahead of other publicity folks in the agriculture field. Simply patting you on the back though, or passing out bouquets here won't accomplish the task assigned me; and there definitely is room for all of us to improve in agriculture communications.

No doubt the greatest chore for those of us in this field centers around the job of telling the true agriculture story to non-farmers. It is quite evident that we have done a lousy job in this respect up to now.

Most of you in this room were probably raised on the farm or are not more than one generation removed from the farm, so you come by a certain amount of agriculture knowledge automatically. On the other hand, your own children probably shock you with their lack of information about the farm at times, even though they are directly exposed to it far more than most young people. This is proof that we seldom realize how little the general public knows about the true picture.

Actually there is no field in which there is more misunderstanding and misinformation than in agriculture. Many think that all farmers are going broke. Others think that all farmers are driving Cadillacs. Of course you can find some who are driving Cadillacs and some who are going broke; in fact, you can probably find some who are both driving Cadillacs and going broke, but that isn't a true picture of the situation. Some refer to the "Farm Mess" or the "Farm Problem" and think that a big share of the farm income is in the form of a government handout.

A survey taken by a dairy firm recently helps illustrate how poorly informed some youngsters are concerning the farm and its products. Children were asked where milk comes from; some answered, "from the milkman". Others replied, "from the supermarket". Not one said from the cow. Probably none would have known how to get milk from a cow, at least not by our modern methods. Some even look on a farm animal as they might a giraffe in the zoo.

Many people have the idea that farmers may not be important any more since they make up only six to seven percent of the population. They look upon agriculture as a shrinking business when logic would explain that with the rapid increase in population and a decrease in farm numbers, the volume per farm must go up. When we add three or four million people per year in the United States, it is bound to increase the demand for agriculture products.

You who are co-op editors have a more accurate picture of the situation and you are in a position to do even more than in the past to tell this story. It will undoubtedly require the development of new approaches to your publicity. We can't simply repeat the same sentences over and over about how food is a bargain or how farm operators use more fuel, tires, machinery, etc. than any other business. We must explain this in ways that are unusual and will capture the attention of our audience.

Too much of our agriculture publicity has been directed to others in the field so we are simply talking to ourselves. Our material for broadcasts and publication has been aimed primarily at the farmers. We may have a big audience of city people in the form of viewers, listeners and readers, but we still dwell too much on the how-to-do-it type of information in an effort to hold the interest of farm groups.

Actually nothing would please the farmer more than for you to turn your back on him and tell his story to city people. He will certainly be listening, looking and reading also. In fact, he will probably be gleaning some information in an effort to tell his own story to his city friends in a better way.

Naturally we want to continue to keep farm people informed. We can't forget about this task in efforts to tell the public about farm conditions. All need this information and it must be accurate.

You can do a great deal for farm families by furnishing ammunition for broadcasts and for other purposes in the war on misinformation in agriculture. As far as broadcasting is specifically concerned, it is important that you realize some vast changes are taking place in the industry; and they are having a very pointed effect on farm broadcasting.

We can seldom use the lengthy interviews that have been so popular in the past. Competition for time on the air is so keen that it is necessary for the farm story to be boiled down to five minutes, three minutes, a half minute or often just a sentence or two. This again highlights the fact that there is often a danger of misunderstanding.

You will also notice that more and more broadcasting companies are featuring editorials and this offers some tremendous possibilities along agriculture lines. I would urge you to furnish station representatives with as much background support of this type as possible. You will probably be surprised at how much of it they will use and also the credit they may give you.

Naturally timing is extremely important when you are working with broadcasters. They have to meet a lot of deadlines every day and nothing prompts the discarding of material more than late arrivals.

If you are not acquainted with farm broadcasters in your area, I would recommend that you make a special effort to get to know them. There are all types and you will find as many different ways to broadcast farm information as there are broadcasters in the country. You will learn though that most of the genuine farm broadcasters who make it a full-time profession are very dedicated and are hard-working people. They are up early in the morning and out late at night. The typical farm broadcaster was raised on the farm, has a college degree in agriculture and has a thorough understanding of the problems farm families may face. You will find that at least what we have called the TRFD's (Television-Radio Farm Director's) who are members of our national association will be extremely cooperative with your kind of people. Their goals are much the same as yours and they realize that working together, we can do a lot more than if we tackle the job alone.

PANEL: COOPERATIVE COMMUNICATORS

INTERNAL AND EXTERNAL COMMUNICATIONS

**by W. M. Corwin,
Director, Information-Publication Service,
Southern States Cooperative, Inc., Richmond, Va.**

So our "Communications Gap" is showing!

And well it may. Because, to bridge the gap completely, non-profit, self-help cooperatives in a land where profit enterprise and dog-eat-dog competition predominate, would have to spend most of their communications time and dollars trying to make themselves understood and accepted, with but a handful of their resources left over for promoting their own supplies and services . . . and making an honest living for their owners . . . who are the members in this case.

And even if cooperatives were to expend most of their energies in an effort to gain the complete acceptance of everybody as the legitimate business enterprises in a free economy which they are, they would still have to look in two other directions.

One is toward fulfilling an obligation to keep members fully informed about their agricultural businesses, supplies and services.

The other is to promote the benefits of cooperative membership and usage to potential members and prospect and thus achieve a measure of constant growth so necessary to business life.

So if cooperatives today seem backward in telling their story to the public, it's because many of us are putting what to us are first things first--promoting our values and virtues and services to the patron-members we already have and trying to get new ones from among persons who have similar interests and are sympathetic. Then, with what's left over, we may try to explain ourselves to everyone else, most of whom often couldn't care less about cooperatives.

Yes, we're guilty--but usually it's an economic guilt. The dollars will stretch just so far.

But lest anyone think that cooperatives have been idle in the field of communications, we would cite the tremendous publications, advertising, and promotion programs being undertaken all across the country.

Several of us have publications budgets of over \$100,000 annually to carry our message from cooperative to member, cooperative to employee, cooperative to prospects. Add to these, substantial newspaper, magazine and radio and TV advertising, direct mail, catalogs, bulletins, folders, point-of-purchase materials, and other media and you have a sizeable investment by cooperatives in spreading the story of cooperation and the benefits to be gained thereby.

Budgets, techniques and personnel compare favorably in most cases with those of our profit-business counterparts. But whereas the efforts of the latter are broadcast more widely and get more exposure, our cooperative dollars are spent more "within the family" as it were.

And we make no apologies for that.

There are signs, however, as cooperatives grow they are becoming more and more conscious of the world "outside". Budgets for information and advertising are growing generally, and more attention is being paid to improving our regional, state or national "images". This is good. But whether we seek to influence the "outside" or continue to confine most of our efforts to the "inside" we have really barely scratched the over-all communications surface. There is a constantly bigger job to do . . . and we are committed to do it. The changing agricultural picture, the growing urban domination, particularly in the east, and other factors will keep us busy for a long time to come.

USING ALL STOPS FOR EFFECTIVE COMMUNITY RELATIONS

by Harry L. Oswald, General Manager
Arkansas State Electric Cooperative, Inc.
North Little Rock, Ark.

In 1947, the Senate of the Arkansas General Assembly came within two votes of passing legislation that would have made Electric Cooperatives eventually extinct in the state.

This was exactly one decade after the Electric cooperative enabling legislation (sponsored by such friends as then Senator Clyde Ellis, now the General Manager of the National Rural Electric Cooperative Association) received only one opposition vote in the two houses of our legislative bodies.

The Electric Cooperative members demonstrated little interest in this 1947 battle, and the public appeared to not care what happened to the movement.

The Electric Cooperative leadership, with this forceful indicator, needed no yardstick to measure the width of the gap--

They have now zippered it closed.

In 1965, their popularity, acceptance and understanding exceeds their popularity, acceptance and understanding in 1937.

Arkansas is one of the few states where this favorable situation exists.

This is how the Electric Cooperatives here have narrowed their gap: They--

- Hired an association manager to work full time at closing the gap, and a qualified editor to publish a house organ.
- Spent \$25,000 for chairs, tents, public address system, trucks and other equipment required for attractive and effective annual membership meetings.
- Held--where the public could view and then properly publicize, 305 annual membership meetings, attended by from 2,000 to 10,000 members--addressed by our two U.S. Senators and all our Congressmen, our Governor and our legislators several times. Also, one meeting was addressed by Marquis Childs. We recognized that to narrow the gap, first our members had to know their cooperatives.
- Televised regularly "Annual Meeting of the Air" programs, offering prizes to member and non-member viewers for answers to questions on Electric Cooperatives. From one program alone they received more than 1,500 answers to such questions as "How much taxes did the cooperative pay in the year?", and other gap-closing questions and answers.
- Held 202 "Civic Dinners" at principal towns in all but 7 of our 75 counties. The program at these meetings was a "20th century lantern slide--rear view slide

projector--presentation" by the association manager, showing the director from that community paying taxes to their sheriff, employees buying groceries and members buying appliances at their stores, and other good-for-the-cooperative color pictures. These dinners were attended by an average of 100 community leaders and their wives. The president of the State Chamber of Commerce and his immediate predecessor attended such affairs.

The truthfulness of "a picture tells the story of a thousand words" was demonstrated.

We partly closed our gap with our city cousins with these meetings.

With an especially-equipped \$20,000 Willie Wirehand bus, we have transported to and conducted through Electric Cooperative headquarters buildings, 770 high school classes or similar groups. The number of students and their teachers that have been told about the cooperative, viewed it in action, seen the tax paying checks, is approximately 30,800.

Most of these wrote a short theme at the end of the day on "What I Learned About the Briarpatch Electric Cooperative".

With these Youth Tours, we not only closed but helped to prevent a future gap by informing our leaders and our members of tomorrow.

We joined with other Arkansas cooperatives in sponsoring a one-week Co-op Camp for 4-H and FFA boys.

We have an athletic scholarship at the University of Arkansas for a Razorback, and sponsor along with the Arkansas Power & Light, the Bell Telephone, and the Union Life Insurance Companies, the very popular Sunday afternoon television playback program of Razorback football games conducted by Coach Frank Broyles.

We also have four other scholarships at our University and other colleges.

We sponsor a Saturday afternoon television news program, and several such programs on radio stations over the state.

We have monthly ads for county newspapers, associating the Arkansas Electric Cooperatives with all that is historic and good in our state.

News stories about the Electric Cooperatives are prepared and released by a full-time and qualified Public Relations Director.

We created, produced and televised a week-night "In Session" program featuring live the members of the General Assembly while the legislature was in session. Our commercials with the program showed our directors and told how, too, the Electric Cooperatives were locally-controlled by the democratic processes.

In briefing sessions prior to the program, we told the legislators our purpose was to favorably present the Legislature--that we of the Electric Cooperatives knew what it was to be misunderstood and unappreciated.

We publish a Legislative Roster regularly, containing photographs of and information on the General Assembly and its leaders. Spliced in are photographs of and information on Arkansas Electric Cooperative movement and its leaders.

These are supplied to the Legislators, state and county officials, and high school and college civic and government classes.

All of these programs and projects have helped us to narrow the gap. Many other lesser activities have also been used.

Do they cost us money? Yes!

We believe, though, this quotation can be applied to us:

"What does it profit a man if he gains the whole world and loses his own soul?"

In 1955, by an overwhelming vote, the Arkansas General Assembly passed legislation enabling the Electric Cooperatives to build and operate generating and transmission systems.

In 1957, this body passed the best territorial protection law in the nation.

In 1963 and 1965, passed resolutions commending and praising the Electric Cooperatives.

Our problem now is not to narrow the gap, but to keep it narrowed.

Signs of the lethargy that often accompany spectacular success have begun to appear on our horizons.

ADVERTISING ; A LINK IN COMMUNICATIONS CHAIN

**by Merrill N. Knapp, Manager
Promotional Services, Agway Inc.
Syracuse, N. Y.**

If communications is telling the cooperative story to members, prospects and various public groups, then advertising is indeed a link in the communications chain.

(Advertising in this context includes magazine, newspaper, radio, television and other means of exposure sales promotion in-store merchandising and member information--at least so we construe it in Agway).

Advertising is essential in today's competitive market if cooperatives are engaged in providing commodities and services as farm production inputs or are engaged in the marketing of farm products. In more and more regional cooperatives both functions are performed as experience in manufacture and purchasing of items used on the farm is applied to consumer products. Let us beware of thinking that farm advertising--essentially industrial advertising--is the same as consumer advertising. The principles of course are the same but the application is enormously different.

At Agway we expect advertising and sales promotion to:

1. Open the door for direct and in-store selling by creating a favorable climate for Agway.
2. Maintain a flow of commodity information to equip salesmen and to support them with appropriate handout materials.
3. Develop in-store traffic and to stimulate impulse buying.
4. Introduce new products and services.
5. Promote the concept of package programs.

We operate within the following policies:

1. Farmers are to be informed of the merits of and actively encouraged to use Agway commodities and services which meet their needs and wants.
2. Potential customers are to be informed and actively encouraged through promotion to buy Agway consumer products.
3. Agway advertising and sales promotion is to be informative, useful, in good taste, and in keeping with the character of Agway. It is to meet the standards of "Agway Quality."

The advertising, sales promotion and merchandising approach depends in large measure on the commodity area concerned. We look upon direct selling on the farm as the major effort in selling feed. Mass advertising is a moderate factor and in-store merchandising a limited factor. On the other hand, for general hardware, home and garden, food and pet food items, direct selling plays a limited role whereas mass advertising and store merchandising are major factors. The mix of the three phases of the selling process is constructed as judiciously as possible. Management recognizes that measurement of effectiveness among the phases is not yet a refined science.

How much should a cooperative spend for advertising? If anyone knew the answer to this he would be a highly paid consultant in demand by industry all across the country. Essentially we believe an organization must:

1. Evaluate the job to be done--the sales goals to be met or the other institutional objectives to be achieved.
2. Estimate the number of dollars required to accomplish the share of this job assigned to advertising.
3. Relate this estimate to the expected profitability of the enterprise.
4. Establish final budget figure based on top management's judgment of how much the company can afford to spend.

Expenditures at Agway for central advertising and sales promotion vary from about 11¢ a ton for mixed feed--0.16% of dollar sales--to almost 3% of dollar sales for strictly consumer items such as dog food. Put another way, we anticipate \$37 of volume for each dollar spent on dog food compared with \$637 for each dollar spent on feed. Items like fuel oil and home and garden supplies range from 1 to 1½% of dollar sales. Farm inputs like chemicals, petroleum and fertilizer would be somewhat higher than, but closer to, the feed figure.

For advertising of all commodities the expense is approximately 0.3% of total dollar sales. By comparison, the known expenditure for 1963 by Armour and General Motors was 1.1; DuPont 2.4; Sears Roebuck 3.1; Eastman Kodak 3.6; Proctor and Gamble 10.4.

No one really knows how to measure the effectiveness of advertising without considerable expenditure to eliminate variable factors such as product quality, distribution, sales effort, etc. Cooperative advertising people would do well to work closely with management, keeping decision makers thoroughly advised of advertising goals, promotion programs and results wherever possible.

DISCUSSION AND IDEA EXCHANGE

**Chairman - W. M. Corwin, Director
Information - Publications Service,
Southern States Cooperative, Inc. Richmond, Va.**

- Brief reports on special activities or new services available were given by:
- Robert Beasley, Consumers Cooperative Association, Kansas City, Mo.--on use of movie newsreels for television
- T. L. Davis, FS Services, Bloomington, Ill.--on publishing a magazine geared to director and management leadership
- Russ Tall, Midland Cooperatives, Minneapolis, Minn.--on use of USDA materials in a cooperative newspaper, Midland Cooperator
- Layne R. Beaty, Office of Information, U.S. Department of Agriculture--on television and radio program service to stations across the United States
- Daniel D. Alfieri, Office of Information, U.S. Department of Agriculture--on increased distribution of consumer information
- Russell T. Forte, Office of Information, U.S. Department of Agriculture--on a new color slide and photographic service

Seminar II - New Developments in Rural Cooperative Finance

**CHAIRMAN -- MARTIN A. ABRAHAMSEN, Deputy Administrator
Farmer Cooperative Service**

COOPERATIVE USE OF THE FARM CREDIT SYSTEM

**by Glenn E. Heitz, Deputy Governor and Director
Cooperative Bank Service, Farm Credit Administration**

The banks for cooperatives will publish late this year a book authored by Russell C. Engberg on Financing Farmer Cooperatives. It attempts to comprehensively cover procedures and problems related to financing farmer cooperatives with particular emphasis on policies and operations of the banks for cooperatives, and to provide information that will strengthen and improve the financing of farmer cooperatives.

Several years ago discussions among the presidents of the banks for cooperatives and staff of Farm Credit Administration revealed that limited information was available in published form about lending experience and methods of financing farmer cooperatives.

The banks' personnel were interested, after almost 30 years of experience, in obtaining any basic criticisms or suggestions for the system. They were interested in what people in key cooperative positions in the field thought of the banks and in what direction cooperative directors, management and other agricultural leaders thought future development of the banks should move.

With one exception that I will discuss later, most of Dr. Engberg's suggestions concern the activities of the banks that can be described as "normal credit". He points out that the financing problems he discusses involve business organizations that for the most part have attained relatively advanced stages of maturity. He concludes that financing services and facilities are well developed and generally sufficient for legitimate credit needs of farmer cooperatives.

The evidence indicates that banks for cooperatives lending and counseling services are contributing effectively to development and growth of farmer cooperatives. Mr. Engberg could find little evidence that cooperative growth and development are being slowed significantly by either inadequate credit sources or restrictive credit policies.

These observations, however, do not preclude some rather major problems faced by the banks or rather extensive changes being made in our normal lending practices. These changes come not so much from our own doing as from the extensive changes taking place in agricultural production and organization and in the agribusinesses that serve agriculture. To adequately serve their cooperative borrowers, the banks have had to sharpen old techniques, adopt new practices, and be receptive to new concepts.

Banks for cooperatives have provided credit for a variety of new, specialized facilities and labor saving equipment now being developed and used by farmer cooperatives. In some cases cooperatives have organized their own credit subsidiaries. Generally the Farm Credit System has supplied funds to these specialized credit organizations and the volume of this type business continues to increase each year.

An additional change has been the pressure to move procurement back to basic supply sources. Farm supply regionals are now engaged in petroleum exploration and production, mining of fertilizer ingredients, and manufacture of several commodities used on the farm.

Another development in farm supply cooperatives that Mr. Engberg discusses is the urbanization of rural areas and increased sales to non-farmers. This creates a problem for the banks since the law still restricts their lending to cooperatives with 90 percent or more of the voting control held by producers.

The banks for cooperatives continue to provide marketing associations with the credit needed to finance their expansions and shifts in operations. Several loans have been made to help finance can production facilities. A large number of loans have financed equipment purchases by marketing cooperatives seeking lower processing costs. One loan was made last year for facilities to freeze mushrooms later used in the new freeze-dried method of preserving foods.

We have helped finance several new sugar mills in Louisiana and Florida and we see continued efforts by several cooperatives to develop successful export programs. One cooperative now has marketing agents in 20 foreign countries. Some cooperatives are exporting members' products to foreign countries based on letters of credit issued by foreign banks for 6- to 12-month periods. Several of the banks for cooperatives have advanced funds against these letters of credit. This is a relatively new experience for the Farm Credit System.

Research by Farmer Cooperative Service shows that over the years the banks have provided about 60 percent of the credit used by farmer cooperatives. We believe this verifies the excellent job of meeting the rapidly expanding and changing credit needs of cooperatives being done by the banks, despite cooperatives' increased sophistication and attractiveness to other lenders.

The problem in the banks, of course, is to recognize those organizations with the ability to adapt to these changes. In summarizing factors that lead to successful cooperative ventures Dr. Engberg concludes that capable and alert management, including the board of directors, is clearly the most important single success factor. Other items of major importance are (a) keeping abreast of changing economic needs; (b) good membership support; and (c) adequate financing.

Successful financing of farmer cooperatives usually requires a good foundation of net worth. This ordinarily comes from retained earnings and sales of equities either to members or in some cases non-members. Dr. Engberg points out that to the limited extent that cooperative development and growth may have been retarded because of financing difficulties, the deficiency in recent years has been mainly in equity capital rather than credit.

The amount of equity capital required varies considerably from one cooperative to another depending on the overall risk associated with the industry and with the individual cooperative's circumstances and other factors. Less equity capital is obviously required in a relatively stable industry. And, if all other credit factors are strong, a bank can obviously lower its equity capital requirements to some extent.

The cooperative leaders Mr. Engberg consulted appear to believe the major need falls in the area between conventional bank credit and investment or "high risk" capital normally represented by common stock. We know, for example, that some industries have traditionally depended to a greater extent for some funds on due-date bonds and debentures.

A second point is that cooperatives in actual practice use a variety of methods to build net worth. No particular type or source of net worth structure has been found to be uniformly successful for all cooperatives. Mr. Engberg, I believe, recommended this as a fertile area for research at the National Research and Teaching Conference in Agricultural Cooperation held here last April.

This brings us to what I believe to be one of the major developments in cooperative financing and one emphasized by Mr. Engberg. The amount of equity capital required by a cooperative, the particular forms and mixtures of this equity capital, and the methods of accumulation must be adapted to each particular case or cooperative. This calls for careful, competent financial planning by the cooperatives. Most large cooperatives now recognize this and have improved their financial planning. Other cooperatives if they are to obtain adequate credit and survive must find a way to develop long-range objectives for their organizations and match these objectives with the capital available to them.

In the competitive situations we face in the future, cooperative management will need maximum efficiency in employment of available resources. Capital is one of the more important of the resources and cooperative management teams must employ it wisely.

Banks for cooperatives are in the best position they have ever been to finance and counsel farmer cooperatives. However, the policy makers and we administrative personnel both here and in the banks must continually prove through good deeds, not mere words, that there is the basic ability and willingness to seek out the right solution to each new challenge.

FINANCIAL STRUCTURE OF REGIONAL FARMER COOPERATIVES

by Nelda Griffin
Management Services Division
Farmer Cooperative Service

I am here today to give you a brief report on the scope and progress of our current nationwide financing study, and to present a sample of some of the detailed findings of the study which are available at this time.

The purpose of the study is to provide basic information on the financial structure of farmer marketing and supply cooperatives. We obtained data by use of a questionnaire which was mailed to over 8,000 cooperatives--all of those known to Farmer Cooperative Service (FCS). Approximately three-fourths of the cooperatives responded.

Data collected were basically for fiscal years ending in 1962. However, a few cooperatives reported for their fiscal years ending in either 1961 or 1963.

Size, function, membership, and organizational structure are all significant factors in financial structure and capital and credit resources of cooperatives. Therefore, we grouped the cooperatives by major function and by membership type. We also classified them as either local or regional.

To date we have finished editing and tabulating all data furnished by the group of regional cooperatives and approximately two-thirds of that from the large group of approximately 7,000 locals.

The first of a series of reports resulting from the study has been published and a second report prepared for publication. This second report covers all regional cooperatives. And my comments today apply only to this group of 448 associations.

Financial data resulting from an earlier FCS study covering fiscal year 1954 will also be compared in the final report with findings of this study. A comparison of data for the 2 years, by classified groups of cooperatives, is not feasible because of the significant change in classification of the cooperatives for the two studies.

So much for the finance study in general.

Now for a look at the financial structure of the 448 regional farmer cooperatives. Of the 448 cooperatives, 56 percent (251) were classified as marketing, 23 percent (105) as farm supply, another 5 percent (24) as diversified--engaged in both marketing and supply activities, 11 percent (50) as bargaining, and the remaining 4 percent (18) as promotional or service.

When grouped according to membership, 50 percent (225) of the 448 regionals were centralized--they had only individual farmers as members; 36 percent (162) were fed-

erated--other associations, mostly local cooperatives, made up the membership; and the other 14 percent (61) had both individual farmers and associations as members.

The combined annual business volume for the 448 regionals for 1962 was almost \$10 billion. This means that volume of business per association averaged approximately \$22 million. However, nearly three-fourths of the associations had a business volume amounting to less than \$20 million. And, only 30 associations--less than 7 percent of the group--reported a business volume amounting to \$75 million or over for the year.

Financial Structure

Combined assets of the 448 cooperatives amounted to nearly \$3 billion at the close of fiscal year 1962. Excluding the 34 tobacco marketing cooperatives, because of their financial relationship with the Commodity Credit Corporation and consequently their unique financial structure, the other 414 regional cooperatives had combined assets of \$2.6 billion.

Current assets accounted for 53 percent of this total; fixed assets for 36 percent; and prepaid items, investments (including investments in other cooperatives), and other miscellaneous accounts for the remaining 11 percent.

Equity capital of nearly \$1.5 billion amounted to almost 57 percent of total assets. This means that 57 cents of each dollar of assets was represented by members' capital as contrasted with outside creditors who had a claim on 43 cents of every dollar of assets. Current liabilities were equivalent to 30 percent of total assets, and term liabilities accounted for the other 13 percent.

The ratio of current assets to current liabilities, generally referred to as the current ratio, is frequently used to determine the credit rating of business organizations. The current ratio for the 414 regional cooperatives was 1.77, or \$1.77 in current assets to each \$1 of current liabilities.

Equity Capital

One-half, or 50 percent, of total equity capital of the 448 associations was in the form of equity certificates or allocated capital credits. Another 41 percent of total equity was in the form of capital stock--with preferred stock accounting for nearly 22 percent and common stock for 19 percent. Unallocated reserves accounted for 8 percent, and miscellaneous capital and membership certificates for the remaining 1 percent.

Nearly 54 percent of the allocated equity capital of the 448 cooperatives was acquired by members and patrons through the reinvestment of allocated patronage refunds; 15 percent was acquired by purchase; and another 10 percent by a combination of these two methods. Ten percent was acquired by capital retains, and an additional 10 percent by capital retains and reinvestment of patronage refunds.

Capital retains, or per unit retains--perhaps a more popular term--as a method of acquiring equity capital is used primarily by marketing associations and is relatively

insignificant with farm supply cooperatives. The other 1 percent of equity capital was acquired by all three methods mentioned.

Interest and dividend rates on equity capital ranged from "no return" to 8 percent. However, over 65 percent of total equities was non-interest-bearing, and less than 2 percent bore interest at rates exceeding 6 percent a year.

Borrowed Capital

Maximum borrowed funds outstanding during the fiscal year for all 448 cooperatives combined amounted to over \$1 billion, excluding Commodity Credit Corporation loans to tobacco cooperatives. Approximately three-fourths of the cooperatives reported use of borrowed funds during the year.

The most important source of borrowed capital was banks for cooperatives. The cooperative banks accounted for 62 percent of all borrowed funds reported by the cooperatives. The second most important source was commercial banks--17 percent. Debt securities of various types issued to individuals accounted for approximately 13 percent of borrowed funds, and local member associations were providing many of the regionals with a portion of their borrowed capital--about 4 percent.

Borrowed funds unpaid at the close of the fiscal year totaled over \$619 million. About two-thirds of the 448 cooperatives reported borrowed capital outstanding at the close of their fiscal year. Primary sources of this borrowed capital were: Banks for cooperatives--60 percent; debt securities issued to individuals--20 percent; commercial banks--about 11 percent; other cooperatives--nearly 5 percent.

Distribution of Net Savings

The 448 cooperatives reported combined net savings for the year of \$288 million. If we exclude the tobacco marketing cooperatives, this total becomes \$285 million. These savings were distributed as follows: 88 percent as patronage refunds--43 percent allocated and 45 percent paid in cash; 7.4 percent as dividends and interest on equity capital; 3.3 percent as income taxes; and 1.3 percent as unallocated reserves.

As I mentioned earlier, data covered by this study vary significantly when analyzed separately for the various types of cooperatives. We will present all findings separately for each of the classified groups in our published reports.

The findings presented here today indicate that regional farmer cooperatives, as a group, are financially sound business organizations. They are serving a vital economic need, and the majority of them are serving it well. Results of this detailed survey will supply answers to many questions regarding the financial structure of these cooperatives. We believe the published results will also help reduce some of the misunderstandings concerning use of capital by cooperatives.

LOOKING TO THE FUTURE

**by Edward F. Wilson, Deputy Assistant Administrator
Rural Electrification Administration
U.S. Department of Agriculture**

The subject of this Seminar, "New Developments in Financing Rural Cooperatives," is important and timely to this Agency, to the 1,000 rural electric cooperatives and to the 225 telephone cooperatives, and to the more than 20 million persons who furnish themselves electric or telephone service through these cooperatives.

Because this subject is important and timely, and because they must have additional capital to finance new and larger facilities needed to meet existing and future service responsibilities, electric and telephone cooperatives are looking to the future in order to determine what actions they should take now, to determine what new developments are needed, and to assure their continuing ability to meet their financial requirements.

The Rural Electrification Administration (REA) is legally authorized to make loans to just about any type of organization that can meet other borrower qualifications. We have made loans to cooperatives, private companies, and various types of municipal or state-established agencies. However, the importance of cooperatives to REA can be inferred from the fact that in the telephone program, 26 percent of the borrowers are cooperatives and 35 percent of our telephone loans have been made to cooperatives; and in the electric program, 90 percent of our borrowers are cooperatives, and they have received 93 percent of our electric loans.

One of the more important financial yardsticks which most businesses use to analyze proposed financial undertaking is the number of times that expected revenues will cover the estimated capital investment required. Analysts in the utility business calculate this revenue-to-investment ratio also. But whereas the great majority of businesses calculate the number of times annual revenues exceed investment, in the utility business analysts calculate how many times investment is in reference to annual revenues. The large amount of capital needed in utility businesses makes the cost and type of financing available to electric and telephone cooperatives a matter of major significance.

When REA was established by Executive Order, in 1935, only 10.9 percent of the nation's farms had electric service. In 1936, the Rural Electrification Act was passed to provide the Agency with statutory authority to make loans for financing the construction of facilities "for the furnishing of electric energy to persons in rural areas who are not receiving central station service," rural areas being defined as those not within the boundaries of any village having a population in excess of 1,500. Today, we estimate that approximately 98 percent of the nation's farms have central station service, and that more than half of them are receiving and furnishing themselves this service through their member-owned cooperatives. In 1949, the Act was amended by the addition of Title II authorizing the Agency to make loans for the furnishing and improvement of telephone service. In 1950, 38.2 percent of the farms in the United States had telephone service of some kind. Today, an estimated 79 percent of the nation's farms have telephone service and about 93 percent of this service is dial.

Rural electric and telephone cooperatives are looking to the future because their systems are expanding and must expand to meet service requirements. Rural electric systems are adding between 125,000 and 150,000 new consumers each year, and existing consumers keep increasing their use of electricity. Sales of electricity are increasing on REA-financed systems at a growth rate of about 10 percent a year, which is slightly greater than the average for the industry as a whole.

Loans to the electric systems have been averaging about \$300 million a year in recent years to provide the new and larger facilities needed to meet the needs of the existing and new rural users. Because of the compounded nature of this growth, it is estimated that annual capital requirements of the REA-financed electric systems will reach approximately \$675 million--more than double the present average--in 1980.

In the telephone program, additional funds will be needed to complete the job of area coverage availability of telephone service, and to meet the demands for the up-grading of telephone service as rural telephone users seek to change from existing 8-party and 5-party service to 1-party service. It is estimated that REA-financed telephone systems will need to increase their plant by about \$228 million in 1975, which is more than two times the present average of about \$100 million of loans a year.

REA cooperative borrowers specialize in taking the jobs that other organizations don't want or can't profitably accomplish--getting high-quality modern service into the low-density, low-revenue-per-mile areas. In recognition of the importance of the cost and nature of the financing available for the extension of rural utility service, Congress in 1944 provided a uniform 2 percent rate of interest on all REA loans, and authorized the making of longer term loans--that is, loans for a period of not to exceed 35 years. The importance of this interest rate is highlighted by the fact that interest expense is only about 6 percent of the revenues of the Class A and B electric utilities, whereas for the REA-financed systems interest expense is 6.6 percent of revenues even though they pay a 2 percent rate of interest on their REA loans.

To those of you not previously familiar with the REA loan program, there is one more consideration which is important in this look at the future. REA loan applicants seek and REA generally loans an amount equal to 100 percent of the estimated construction costs. This 100 percent financing recognizes the simple fact, as previously pointed out, that the REA borrowers are attempting to do a job that others don't want to undertake or provide the capital for. Thus, the availability of REA financing is not essentially a discussion of alternatives or of interest rates; as a practical matter, the availability of REA financing is the major determinant of whether the proposed facilities can be built and, as a result, of whether the job that needs to be done, can be done.

This discussion of the importance of financing is timely for a number of reasons. First is the simple fact that studies are already under way, both in and out of Government, as to how the loan needs of REA borrowers can best be met and should be met.

In 1964 the electric cooperatives through their organization, the National Rural Electric Cooperative Association, authorized an independent study of the possibilities of their obtaining private financing to meet their needs. This study was published this past

summer. The study points out that "the relatively small size and low interest coverage of most co-ops would make it impractical for more than just a few large ones to obtain funds individually from the private capital market. In addition, only about 20 percent of all co-ops could cover the interest cost of borrowing at capital market rates with the 2 ratio (or 2:1) most institutional investors would require as a minimum standard."

It concludes that "direct financing of individual cooperatives by means of mortgage bonds similar to REA loans and standard investor-owned utility financing, is, except in a very few cases, therefore, an unlikely method for financing the co-ops, at least at this time," and analyzes several approaches the cooperatives might take towards securing financing from the capital market.

The study also points out that regardless of the actual financing method chosen, some transition period will be needed for the co-ops to move from REA loans to capital market loans.

At this summer's meeting of the Association's board of directors, the board adopted a resolution containing three numbered points, as follows:

"(1) That the present REA 2 percent interest program be kept unchanged for those systems needing it;

"(2) That an intermediate financing plan be set up to provide more flexibility in loans; and

"(3) That a mechanism be established to provide a way to bring supplemental private money into the program at terms that will enable the systems to grow and carry out their program objectives."

One such mechanism is the formation of a central bank. Another mechanism which is being studied, is the establishment of some sort of a loan guarantee program.

Second, this discussion here is timely because the REA electric borrowers themselves are coming together in 10 regional meetings at which they are discussing the subject of their future financing, in depth and in detail. This series of meetings is still in process.

Third, the timeliness of this discussion from the standpoint of the Government could hardly be better emphasized or expressed more authoritatively than in a telegram which President Johnson sent to the REA electric borrowers less than a month ago as they began this series of regional meetings: "In the great society we seek in America, effective and efficient electric service to rural people is an essential ingredient. The achievement of these objectives will require your best efforts and efficiencies, and will also require vast and accelerating new capital. In the view of many observers, it is reasonable to expect that your requirements for new capital in the years ahead will exceed the amounts that can be provided through the traditional REA loan program.

"Your decision to explore ways to bring into the program new funds to supplement those available through REA demonstrates once again the judgment and foresight of Rural Electrification's leaders. . . . I am confident that you, the Administration and the Congress, will be able to develop a sensible financing program which will provide you with

the opportunity to expand with the rest of the economy. The need is urgent and will soon become critical. As one who has long worked side-by-side with you and shared your problems and success, I believe we must work out a solution before the time of crisis arrives. Your National leaders are already working with me and the members of my administration in developing a responsible plan--one we hope can be embodied in legislation to be proposed to the next session of Congress."

The President concluded his telegram with this statement: "I know something of the democratic processes by which NRECA considers all issues and it is my hope that from your discussions and from our conferences we can develop a plan for the future that is sound, fair and reasonable, and that will assure permanence and the full success of the rural electrification program." It is on this basis that REA and its borrowers are "Looking to the Future."

LOANS TO COOPERATIVES UNDER ECONOMIC OPPORTUNITY ACT

**by Bernard H. Polk, Assistant Administrator
Farmers Home Administration
U.S. Department of Agriculture**

The Economic Opportunity Act or so-called "Anti-Poverty Act", passed by the Congress in the Fall of 1964, contained provisions for two loan programs to assist low-income rural people.

The Secretary of Agriculture was delegated authority to administer these rural loan programs by Sargent Schriver, Director, Office of Economic Opportunity. The Secretary in turn delegated administration of the programs to the Farmers Home Administration (FHA). These programs became operative in January of 1965.

Although our agency administers 14 separate loan programs, there are three primary purposes:

- (1) To strengthen the family farm;
- (2) To strengthen the rural community; and
- (3) To alleviate rural poverty.

These lending services are especially focused on the solutions to rural poverty problems, and the agency's loans and management assistance deal with poverty in four dimensions:

- (1) Helping families avoid entering in poverty;
- (2) Helping some families exit from poverty;

- (3) Helping "boxed-in" families so handicapped by age, lack of education and skills, or otherwise impeded, that they cannot avoid poverty, at least to improve their living conditions and make modest increases in their incomes; and
- (4) Helping rural communities faced with decay and stagnation to obtain the water systems, recreational facilities and other facilities needed to make an economic comeback.

It is most appropriate, during this period set aside for observance of the cooperative movement, to relate the basic principles for using the cooperative approach to alleviate rural poverty.

The approach is as basic as the cooperative principle--a group of people with a similar problem (low income) joining together to provide a service they could not, individually, efficiently own or provide. The end result--a release of a greater portion of their income for family living.

Cooperatives apply the finest pioneer American tradition of individuals working together to assist each other to do a job too big for anyone alone.

To accomplish specific objectives of benefiting low-income people, the Economic Opportunity Act, by design, limits credit assistance to cooperatives that provide services to low-income rural families.

Since this program got underway in January, 1965, Farmers Home Administration has extended over \$2 million in supervised credit to 179 cooperatives serving mostly low-income rural families throughout the United States. Many of these loans were to small cooperatives of 6 to 10 farmers to acquire expensive machinery, such as cotton pickers and other types of harvesting equipment, which the individuals could not afford to own.

The states with the most activity are: Alabama - 10; Arkansas - 18; Georgia - 16; Mississippi - 19; North Carolina - 14; Tennessee - 10; South Carolina - 8; just to name a few.

The Act provides that loans may be made to local cooperative associations that furnish essential purchasing, marketing or processing services, supplies, or facilities to rural families--with two-thirds of them required to be in the low-income group.

Before a loan is made, however, we will be assured that the families concerned do not now have the services available and, further, that the cooperative to be financed will actually serve to increase their incomes or living standards.

Processing services that may be financed by FHA credit are those which put raw products into condition for marketing and home use.

They include--but are not necessarily limited to--storage, grading, washing, packing, freezing, and canning of agricultural products. Rough sawing of timber and slaughtering of meat animals are other examples.

Purchasing services for low-income rural people include buying machinery and equipment such as combines, land leveling, spray equipment and baling.

Because of such assistance, made possible by a \$3,200 Economic Opportunity loan, five Negro farmers of the Kerr Community in Lonoke County, Ark., this year estimate they will raise their net income by an average of \$500.

The supervised credit--repayable within seven years at 4-1/8 percent interest--made it possible for the Kerr Station Hay Facility Cooperative to purchase a much-needed hay baler, a rake and a mowing machine.

Before this hay harvesting equipment was available, these farmers were unable to economically harvest lespedeza hay needed for the operation of their small beef producing enterprises. There are 19 people in the five families whose net family income last year ranged from \$700 to \$1,250 on farms ranging in size from 39 to 120 acres of land.

Also eligible for financing is the marketing of goods produced or supplied by members of the association such as farm products, handicrafts and home-produced finished items, ceramics, decorative items and the like.

Credit is also available for financing the marketing of raw or processed agricultural products, including livestock, timber, and timber products.

Loans made to cooperatives may be used to finance facilities directly related to processing, purchasing or marketing services, purchase or lease of necessary land buildings, and hiring equipment and services. For example, the 110 farmer-members of a recently organized Mississippi rural produce marketing association are expected to increase their 1965 net farm income from 50 to 100 percent because of a USDA Farmers Home Administration loan.

A \$55,000 Farmers Home Administration Economic Opportunity loan to the Southaven Farmers Market, a cooperative-type association serving most low-income fruit and vegetable producers in the State's Desoto and Tate Counties, has been credited by community leaders as giving these producers "a new lease on life."

These loan funds financed purchase of a three-acre land site and construction of an open-side, 40 by 200 foot steel building--now serving as the sales area--and a 20 by 32 foot cinder block temperature controlled storage cooler. The sales facility contains 40 stalls.

This co-op's membership--many of them Negroes--expect to boost their average net income from a \$1,500 and \$2,000 range to one of from \$2,000 and \$4,000. It now appears that many of them will receive their entire income in future years from the sale of produce sold at this market.

The loans also may cover a number of miscellaneous costs facing a cooperative serving low-income members. Loans may be made to cover the cost of improvement to building sites along with the construction of buildings essential to the association's business.

Money borrowed by cooperatives from the Farmers Home Administration under the Economic Opportunity program also may be used for operating capital, including management and technical services charges, which cannot be provided through operating income, contributions or short-term credit.

Also financed are costs of organizing the association and handling other related costs, such as fees and appropriate legal and technical charges, along with other professional services which cannot be provided by the Farmers Home Administration or any other appropriate source.

These limitations have been placed on the program:

1. The borrowing cooperative must serve rural families--two-thirds of whom are genuinely low-income people. This cooperative must provide the type of assistance that will serve to raise and maintain the income and living standards of families served.
2. The cooperative association cannot duplicate a service already conveniently available at a reasonable cost. In other words, the cooperative must fulfill a need for services or facilities that is not otherwise being met.
3. The cooperative must prove it is unable to obtain credit from any other source.
4. There must be reasonable assurance of the loan's repayment.
5. Credit applied for, together with other available funds, must be adequate to assure the project's completion or achievement of the purposes for which the loan is made.

The interest rate of these loans is 4-1/8 percent and may be scheduled for repayment over a period not exceeding 30 years. The period may be shorter in a case where it is necessary to assure that the loan will be adequately secured, taking into account the security's probable depreciation.

As is the case with all Farmers Home Administration's supervised loan programs, the agency is not leaving anything to chance.

FHA personnel are on hand to provide continuous and intensive technical and management guidance, particularly in the association's early stages of development.

This guidance includes advice and continued consultation in connection with preliminary determinations of economic soundness and physical feasibility, preparation of cost estimates and development of plans for organization and management. Farmers Home Administration personnel work closely with the borrowing cooperatives.

It is recognized that frequent followups must be made to be sure the co-op is establishing and maintaining adequate bookkeeping systems, auditing procedures, inventory controls, and equipment maintenance programs.

We in Farmers Home Administration sincerely believe that this special assistance to cooperatives formed by low-income rural families will tend to give more of them a chance to work together in solving common problems, will help them obtain resources they could not afford individually, and will enable them to work their way to a better living.

OPERATION AND FINANCING OF PRICE SUPPORT PROGRAMS THROUGH COOPERATIVES

by Milton S. Briggs, Deputy Director
Producer Associations Division
Agricultural Stabilization and Conservation Service

I welcome this opportunity to join you in observance of Cooperative Month and to participate in this Seminar. I welcome it especially because too few people realize the extent of the ties--of the teamwork--between the Department's action agencies and farmer-owned and -controlled cooperatives.

As you know, the Commodity Credit Corporation--CCC--approves and finances specific price support and related activities within the overall authority of controlling legislation. It is empowered to support prices of agricultural commodities through loans, purchases, payments, and other operations. CCC programs are carried out in large part through the personnel and facilities of the Agricultural Stabilization and Conservation Service--ASCS for short.

I will outline briefly how ASCS utilizes and finances cooperatives in the price support program.

At the outset, let me emphasize that the cooperatives with which we deal are required to meet strict criteria. The purpose of these criteria is to assure producer ownership and control of cooperatives. We shall continue to exclude from participation in our price support program "bogus" cooperatives which exploit rather than promote grower interests.

In 1964, about thirty cents out of every price support dollar reached farmers through their cooperatives. This proportion has tripled since 1961. Operating efficiency has increased, thanks to self-analysis techniques and assistance from ASCS technicians. This has helped forge the cooperatives we work with into more useful and more flexible tools of self-help for farmers. They have strengthened farmer "muscle in the market place".

Let me cite a few examples of the market muscle building by cooperatives working with ASCS. The cooperatives encourage and promote research aimed at reducing production costs, improving product quality, and increasing utilization. They work to increase export markets. Their experts on manufacture of American type cigarettes for example, dispense know-how and good will all over the world and have been an important factor in expanding exports. They forcefully represent growers before Congressional Committees, at various trade meetings, at tariff hearings; in short, they represent growers wherever and whenever grower interests are involved.

We in ASCS work with cooperatives in various ways.

Of particular interest here are ASCS activities which are conducted wholly or in part through cooperatives which are required to meet specified criteria and standards. To facilitate discussion, I'm dividing these cooperatives into two groups.

The first group consists of those cooperatives which, for all practical purposes, are the sole means of making price support available to producers of tobacco, peanuts, and naval stores. These cooperatives also administer the program in the field for ASCS.

The second group of cooperatives is involved in programs which make price support available direct to individual growers as well as through cooperatives.

The first group consists of 20 cooperatives. Largest is the Flue-Cured Tobacco Cooperative Stabilization Corporation, Raleigh, North Carolina. Its 600,000 members are distributed throughout the six states in which flue-cured tobacco is produced.

The commodities handled by these cooperatives--tobacco, peanuts, and naval stores--do not lend themselves to price support on an individual producer basis. They have in common a need for special handling or processing to make them storable and merchantable. The individual producer cannot, as a practical matter, pack or process his tobacco; nor are the peanut or naval stores markets so organized that the individual producer acting alone could market all of his commodity at the level of price support, or pledge it as acceptable collateral for price support loan.

In these circumstances, cooperatives are needed to operate as intermediate organizations servicing both growers and CCC. Under loan agreements with CCC, they make loan advances to producers, consolidate the loan collateral for processing and storage, look after its care in storage, and eventually sell and deliver it to the purchaser.

Most of the cooperatives contract with warehousemen and others to furnish various services under close supervision of the cooperative. The grower obtains his advances where he normally markets his commodity. In the case of tobacco, for example, this is at an auction warehouse in the auction market area and at a tobacco cooperative warehouse in the cigar area where there is no organized market.

I shall make a few generalizations about the financing arrangements with cooperatives, using tobacco as an example.

Financial arrangements are generally similar between programs and vary mainly in the details of making loan advances to producers. Differences result from unique commodity and marketing characteristics.

Loans are made to the cooperatives by CCC to enable them in turn to make advances to producers and to handle, care for, and sell the commodity. For cooperatives handling tobacco price support operations, CCC enters into servicing agreements with banks convenient to the cooperatives.

In some instances, these are banks for cooperatives. Under these servicing agreements, the bank advances funds to the cooperative upon receipt of proper documentation to cover advances to producers, and cost of handling, processing, and storing the tobacco. The banks in turn draw on CCC through a Federal Reserve Bank.

All the advances to a cooperative with respect to the tobacco of a particular crop year become one loan secured by the tobacco of the crop year on which the advances were made. Cooperatives usually have tobacco of several crop years on hand at a single time and therefore several outstanding loans. As the cooperative sells the tobacco collateral, sales proceeds are remitted to CCC and applied to the loan until the indebtedness is retired or until there is no remaining collateral securing the loan.

The loan to the cooperative includes expenses incurred by the cooperative for salaries, travel and other items applicable to price support operations. Advances to the cooperative for such expense are made not to exceed amounts approved by ASCS in annual projected estimates submitted at the beginning of each year.

The loans are non-recourse and therefore without risk to assets of the cooperatives or growers.

It is the policy of CCC not to mature the loans to cooperatives except under unusual circumstances. Instead CCC allows them to remain outstanding until the collateral is sold. This works particularly well in tobacco as that commodity must go through an aging process before use.

The non-maturity policy allows the cooperative to market the product in an orderly manner. This increases the prospect of the CCC loan being repaid in full and of the cooperative having a net gain or surplus after repaying the indebtedness, including interest at 3-1/2 percent.

In the past, the cooperatives had substantial net gain from their price support operations for distribution to members. Unfortunately, with the current supply-demand situation for tobacco, peanuts, and naval stores there is not much prospect of the cooperative realizing net gain from their present operations.

I turn now to the second group of cooperatives. For such commodities as cotton, soybeans, rice, dry edible beans, honey, and tung oil, marketing cooperatives meeting prescribed standards may receive price support in the same way as an individual producer.

In practice, price support for most of these commodities goes direct to the individual producer rather than through the cooperative route. Cooperatives in this group have the advantage of obtaining loan advances directly from CCC at favorable interest rates, compared with those available from commercial sources.

Last year, 27 cooperatives qualified as producer owned and controlled cooperatives. Operations vary particularly as between cotton and other commodities.

CCC makes non-recourse loans to cotton cooperatives generally through servicing agent banks with which CCC has agreements. Advances are made upon presentation of loan documents--schedules and warehouse receipts. Any redemptions must be made on or before July 31 maturity date by payment of CCC's investment in the quantity redeemed.

Financing procedure for other commodities in this group differs from cotton in several ways. First, price support is made available through the ASC County Committees upon presentation of warehouse receipts and other documents. Second, cooperatives may at loan maturity date sell outright to CCC commodities on which they have not obtained non-recourse loans. Third, in addition to charges of the type made under the cotton program, cooperatives pay a small application fee and a service charge which varies with the commodity. The service charge is refunded if the loan is repaid. Loans on soybeans, rice, and dry edible beans mature on a specified date or earlier on demand by CCC.

ASCS also helps tobacco, peanut, and naval stores cooperatives analyze their own operations. Cooperatives are encouraged and helped to simplify and, if practicable, automate their operations. In connection with advancing funds for administrative expenses, ASCS specialists are helping cooperatives streamline their operations through manpower and utilization surveys. Such actions should help make cooperatives more efficient generally.

It also assists and encourages growers to use cooperatives meeting our criteria as set up. We shall continue to exclude from participation in the price support program any spurious cooperative. We shall continue to help cooperatives help themselves in improving their marketing practices; in increasing efficiency; in reducing operating costs; and in maintaining producer control.

In three decades of association, ASCS and farmer-owned and -controlled cooperatives have teamed to combat many problems. The results have been mutually satisfactory. We fully expect to continue and intensify this teamwork to achieve the objective set by Secretary Freeman to "strengthen cooperatives in all appropriate activities in the interest of their members and the general welfare".

THE CREDIT GAP IN RURAL AREAS: AN EXPLORATION

by Harold D. Brown, Director
Office of Areas Redevelopment
Small Business Administration

The observance of Cooperative Month by United States Department of Agriculture is a fitting tribute to a fine cause. And the some 9,000 cooperatives in existence, with total memberships in excess of 7 million and doing a net business of about \$14 million a year, more than highlight the reason for observing October as Cooperative Month.

Our seminar today is directed at new developments in rural cooperative finance. My subject is one of a broad scope--and I therefore want to deal with its broad aspects. This includes all those fields involved in the economic development of our rural areas. All cooperatives have a great stake and responsibility in this aspect and through a common approach, a solution to this grave problem may be brought about.

The term "credit gap" is a particularly popular one in Washington, D.C. and one that has received considerable study by both branches of the Congress. A conclusion reached by the House Committee on Banking and Currency involving a study of Federal credit programs is pertinent.

They say: "While considerable effort is made to demonstrate that there is a need for a particular program because of a credit gap or because of a need for preferential loan terms to stimulate or promote a socially desirable activity, relatively little information is developed to measure the extent of such program need after taking into account alternative sources of financing."

Today I hope to some extent at least to develop information to help measure the program needs of a Federal program that would seek to more directly deal with the economic development of rural areas.

Some 74 distinct credit programs operate in the Federal Government that extend or aid the extension of credit totalling some \$31 billion. About half of the credits were in the form of direct Federal loans and half were in the form of Federal insurance or guarantees of loans. This, on its face, represents a sizable extension of Federal credits. Our job is finding out how to direct these potentials into proper channels to achieve the desired result of economic growth in rural areas. We must measure alternative financing methods, such as from the private sector, and gear these to the Federal program to achieve the ultimate objective of economic parity of opportunity in all the areas of the United States.

The House of Representatives' Domestic Finance Subcommittee of the Banking and Currency Committee conducted an extensive study of Federal credit programs. The report issued as a result of this study identifies seven factors reflecting credit gaps. I will add two more to this list. The report identifies these credit gaps:

First is the sheer lack of private credit facilities, particularly in rural areas. Here we have higher interest rates in both capital importing and exporting regions because lenders usually feel that more distant loans are riskier.

Second, credit gaps may arise from institutional factors such as legal barriers to the free flow of mortgage credit over State lines or adherence to traditional lending policies when basic circumstances have changed. Here we have the factors of habit, prejudice, and unfamiliarity.

Third, many small communities seeking to finance their needed public facilities find their access to capital markets is limited. Here again we find the factor of unfamiliarity with the borrower or his community plus the cost of obtaining the needed information to encourage this type of investment.

Fourth, sometimes a credit gap exists because private institutions hesitate or are timid about trying financial innovations or exploring new risk situations.

Fifth, credit gaps arise out of cyclical fluctuations of credit availability. When credit tightness appears, lenders tend to shy away from such credits as long-term mortgage loans and, at times, finance company loans. In tight money times, banks may choose to eliminate riskier loans, to reduce the geographic boundaries of their lending, to reduce the length of loans, to require larger down payments on installment loans, to raise interest rates, and to favor depositors.

Sixth, private lenders generally will not make loans they believe are slow, cumbersome, or unduly expensive to administer. The cost of making and servicing small loans is proportionately greater than for larger loans and hence less attractive.

Seventh, private lenders are disinclined to make certain loans because of the risks they attach to such loans. Here the point is made that many of these requests for credit involve factors of requested long-term maturity, innovation, or collateral consideration. I would add the further thought that credit gaps exist because potential borrowers lack information about existence of Federal programs or perhaps because of the red tape associated with such borrowing.

For instance, the Small Business Administration (SBA) has, at the present time, some 70 regional offices each geared with circuit riding programs designed to reach and service the financial needs of the small business borrowers in the United States.

I am certain there are many, many areas totally uninformed about the Small Business Administration's lending capabilities. I dare say a similar lack of knowledge and a program communication gap exists among the other 74 Federal lending programs.

One example of the humorous complications that a communications gap can foster is illustrated by the story of an American bank in this area that advertised to arrange loans by telephone.

An Italian correspondent spotted the ad. His paper carried the story as an example of the ease with which Americans with good credit ratings obtained credit. And soon the American bank began receiving phone calls and letters from Italy from individuals asking to borrow.

The bank had to turn the requests down, saying it was not able to make and service loans over such a great distance.

A final credit gap is the gap existing within the Federal programs themselves. This gap concerns inter-agency agreements as to lending authority, particularly those of the Small Business Administration and the Department of Agriculture; in other words, whether an agricultural pursuit is the subject of the loan or whether the request is for that of a small business. The considerable confusion here should be clarified.

Then there is the long-term problem of SBA's lending authority in the area of cooperatives. I shall not go further in this field other than to say that this area of uncertainty should be clarified and determined.

I have laid a foundation of the causes for the obvious gaps. Now I would like to repeat the conclusion you reached at Farmer Cooperative Service's Annual Workshop of 1960, a conclusion I value and want to remind you of--the greatest challenge to all credit sources is to finance needs, not just lend money.

Seminar III - Role of Office of Economic Opportunity in Providing Credit

CHAIRMAN -- RICHARD HAUSLER, Director Rural Task Force Division, Community Action Program, Office of Economic Opportunity

INTRODUCTORY COMMENTS

**by Richard Hausler, Director
Rural Task Force Division
Community Action Program
Office of Economic Opportunity**

I welcome you here. Those of you from outside the Office of Economic Opportunity will probably think that I should be asking you to welcome us--as a new organization that has considerable concern with cooperatives and sees in them a major tool to use in creating economic opportunities.

Those of you who have been concerned with cooperatives in the past certainly can look back several decades to a time when they played a major part in helping people lift themselves out of poverty, particularly farm people. And back in those days almost all the farm people in many parts of the country were poor. The Government stepped in to help the cooperatives improve farm income.

The help included the whole Farm Credit System, banks for cooperatives, production credit associations, Federal land bank associations, and cooperatives to provide electricity and telephones.

With the help of technical assistance and low interest rates and long-term loans, the Federal Government stepped in to help people use cooperatives to help themselves. Over these years cooperatives perhaps have lifted their whole clientele out of poverty, but they are not generally major tools aimed specifically at low-income people.

Electric and telephone cooperatives serve all the people in their areas, rich and poor. But when we look at the other cooperatives, particularly the bigger ones, even those of us who look at them idealistically as major service organizations, recognize that the economic facts of life have often made them less than the ideal servants of the poor.

Obviously if you have a cooperative to market apples, you can market apples better and cheaper and show more black ink if you are marketing with larger producers rather than hundreds of small producers. If you have a purchasing cooperative, there is a strong pressure on you to concentrate on those members to whom you can deliver tons instead of those where you deliver a couple of bags.

Additionally, there are the competitive elements. There is not much incentive for a dairy cooperative to be aggressive in helping new and struggling little dairies and to build them up into becoming better competitors. I am not in any sense condemning cooperatives--just recognizing facts of life. I think we would be unrealistic if we expected them to do more than we ourselves would in conflict with self-interest.

Here is something else we may want to explore. Is there some way where given a specific commitment by existing cooperatives to do a specific job specifically for the poor that some kind of subsidy can be provided? Short of this, I think, the potentials are limited.

Moving from existing cooperatives to new cooperatives, let us look at new tools we have to use there. One of the problems cooperatives have always faced is the period between the cooperative as an idea and the long stage of organizing and providing for management, of getting cooperatives ready to get in business, and of picking up enough business to become self-supporting. Our organization, through Title II of the Economic Opportunity Act, can fund through a community action program a man who can go in and help or a staff that can go in and help with the organization. Thus the cooperative can go into business without the burden of staff cost back through those months of getting organized.

Of course, this staff can go up to the point of a loan from the Farmers Home Administration under Title III of the Economic Opportunity Act. I'll return to this in a moment.

We do have these tools to go through those steps. The third step, if these are to be enduring, self-supporting cooperatives, is to fulfill the need for a lot of management, of technical assistance, in this initial stage and down through the years when they get into trouble. We have help from the Farmer Cooperative Service, especially in the farmer cooperative field, but that agency is limited in size and obviously there are going to be hundreds of these cooperatives.

OEO has made a very small beginning here. Just recently we signed a contract with The Cooperative League of the USA. With some help from a subcontractor--Southern Consumers Cooperative, Lafayette, La., we will be assisting in the field of credit unions and cooperatives.

There is a whole area here where a great deal of assistance is going to be needed.

I would hope that this afternoon and hereafter we will start looking beyond these particular tools at two major questions. One is "What new functions are there for cooperatives in rural and urban areas?".

We tend to look at the traditional uses, but all of us are struggling, say, with rural housing. Would it be possible to have a rural housing cooperative for low-income older people in rural areas who would like to live out their lives in their home in the country, but it is in pretty bad shape? They may not be able to go to many sources of Federal help because their homes are private property--and these sources include Youth Corps assistance that might help to build some porches and do some things like that.

Is there some way that a cooperative can open up the use of these Federal programs to public and private non-profit organizations to improve the housing of the older people in rural areas? Would it be possible to set up a housing cooperative and have these people turn over their houses or have them appraised and turn the title over to the housing cooperative with the understanding that at any point along the way they could get that appraised price out of this cooperative?

Then these various programs, take the Neighborhood Youth Corps, for example, with supervision, could go in and help make that house livable. At the time of the death of the oldest survivor, the house might be sold and the heirs would get the appraised price when it was turned over. You can see how something along these lines could be worked out. Will this particular program work? Can it, with some changes, be made to work?

I don't know. I throw it out only to suggest that we should all be exploring different new ways in which this cooperative tool which has worked so well in so many fields can be employed to solve some of the problems of the 1960's and the 1970's.

The thing we ought to discuss is the question of using some of the experience gained in farmer and rural cooperatives to solve some of the city problems. There are, of course, cooperatives in cities now, but not very many. And the potential would appear to be just as great in the cities as in the rural areas.

FARMERS HOME ADMINISTRATION LOANS AS ANTI-POVERTY WEAPONS

**by Harvey Gifford, Association Loan Officer
Farmers Home Administration
U.S. Department of Agriculture**

I would like to preface my remarks relating the objectives of Farmers Home Administration. Basically we have 14 different loan programs and the purpose of all these programs seems to boil down to about three objectives: to strengthen the family farm, to strengthen the rural community, and to alleviate poverty.

Those of you who are familiar with Farmers Home Administration know we have worked in the past with people who have inadequate resources to obtain credit from commercial sources. For that reason, we welcome this opportunity to enter the cooperative field by authority given us under the Economic Opportunity Act.

To follow up on the purposes I mentioned, we are attacking poverty problems in about four dimensions. First, we are helping families to avoid getting into poverty or entering into the poverty class; second, we believe we are helping some families exit from poverty. Third, we believe we are helping a group of families or a group of people who are boxed in because of age, lack of education and skills, and other disadvantages that they may have because of inadequate living conditions, to make modest increases in their incomes.

Finally we have a program to prevent rural communities from fading out of the picture. We assist them by establishing such things as recreation facilities, needed water systems, and, by new authority just granted by a law signed yesterday, waste disposal systems for rural communities.

I think it is fitting and proper during Cooperative Month to relate some of the principles that the cooperative movement can provide to alleviate or help alleviate rural poverty. Basically in the cooperative approach a group of people with a similar problem such as low income join together to provide a service they could not individually own or efficiently own or provide themselves.

It was an interesting statement the chairman made about existing cooperatives. We seem to have enough existing successful cooperatives but it appears that cooperatives are very much like successful people. As they get bigger, they tend to forget the small person who has a limited amount of resources and limited amount of initiative to put himself forward.

It seems to us that this Economic Opportunity program or the authority to make loans to small groups is certainly one of the fundamental uses for the cooperative approach. It seems that cooperatives become more active because of depressed economic conditions. I believe the first cooperative ever formed was formed because of economic conditions. Cooperatives provide the finest pioneer American tradition for assisting our neighbors in getting out of a predicament.

To accomplish specific objectives benefitting low-income people, the Economic Opportunity Act by design limited credit assistance to cooperatives that provide service to low-income people. We are aiming our objectives at people in low income or poverty groups.

We have had moderate success. We think the program is getting under way and going along very fine. We did not get into operation until January 1965 and so far we have loaned approximately \$2 million and have established about 180 individual cooperatives. And these, for the most part, serve low-income rural families. Many of these loans are to small groups such as 6 to 10 people, and they are for equipment that a farm family could not own individually or efficiently own because they do not have the acreage or the resources to support the cost of the equipment or use it efficiently as individuals.

It seems that our program has had most success in our southern States. For example, at the end of September, we had made 10 loans in Alabama, 18 in Arkansas, 16 in Georgia, 19 in Mississippi, 14 in North Carolina, 10 in Tennessee, and 8 in South Carolina. That is just a few of them. They are the ones where the program is really catching on and taking hold.

The Act provides that a loan may be made to a local cooperative to furnish essential purchasing, processing, and marketing service, supplies and facilities to rural families. They are limited to cooperatives with two-thirds of their members who are low-income families.

Before a loan is made, we assure that the families concerned do not have the services available already in their community. It would be foolish to establish a cooperative if it were to be in competition with another local cooperative. That is one of the first criteria that we try to obtain--that there is no other cooperative service available to these people in the community.

Processing services that may be financed with our loans include any processing that puts a raw product into condition for marketing or home use. We are not permitted by the Act to loan funds to a cooperative that is in the manufacturing business. Purchasing services for rural people include such things as machinery, equipment, combines, land leveling equipment, cotton pickers, peanut shakers, and so on.

I would like to give an example of one of these loans. A \$3,200 cooperative loan was made to five Negro families in a poor community in Arkansas. They estimated their net income will increase approximately \$500 because of this cooperative service. The supervised credit they received on the basis of 4 1/8 percent interest facilitated the purchase of a hay baler, a rake, and a mowing machine. Before this hay harvesting equipment was available, these farmers were unable to economically harvest the necessary hay to maintain their livestock enterprise.

There were 19 people in these 5 families. Their net income level ran from \$700 to \$1,250 and the size of the farm was from 39 to 120 acres.

This is one example of how a small cooperative with a small amount of money is going to add another \$500 to the income of individual families.

Also eligible for financing are cooperatives for marketing of goods supplied the members. These can include farm products as well as handicrafts and home produced finished items--ceramics, and so on.

Credit is available for marketing raw or processed agricultural products including livestock and timber products.

Loans can be made to cooperatives for financing facilities directly related to processing, purchasing, or marketing services. For example, 110 farmer members in Mississippi established a produce marketing cooperative. This was to market vegetables and fruit produced by members. A \$55,000 loan was granted in this instance to a cooperative known as the South Haven Farmers Market and practically all of the members belonging to this cooperative are in the low-income category. Because they do have a market for their products, it is going to give these people a new lease on life. With the loan funds we provided, they constructed a building 40 x 200 feet and built a storage cooler to store vegetables that couldn't be marketed daily.

The majority of the members of this cooperative are Negroes who had net incomes ranging from \$1,500 to \$2,000.

We can also use loan funds to provide operating capital or short-term credit to cooperatives. However, the amount of funds that we have loaned to date for this particular phase of cooperatives has been very limited. Usually these small cooperatives that we have dealt with so far are machinery cooperatives for which very little operating capital is needed. We may provide enough funds in the loan to take care of insurance policies and buy the first tank of gas or something of that nature.

In a program of this kind, there are naturally some limitations. One of these limitations is that these cooperatives must be in a rural area and two-thirds of the people served by the cooperative must be in the low income category. And the majority of the business done by the cooperative must be done with low-income people. As I mentioned earlier, the cooperative cannot duplicate services already available in the community by another cooperative.

Another restriction is that we cannot make a loan to a cooperative that has credit available from other sources.

We must be assured that the loan has a reasonable prospect of being successful. And finally credit available from the loans must achieve the purpose of increasing the individual member's income, thus adding more income for the family living.

The interest rate for these loans is 4 1/8 percent, and the maximum repayment period is 30 years. The period for repayment may be shorter based upon, first, the repayment ability of the cooperative, and, second, we must assume that the loan will be adequately secured at all times. So if the depreciation is less than 30 years, we would naturally schedule our loan repayment for a shorter period.

CONVENTIONAL AND MULTIPURPOSE COOPERATIVES, CREDIT UNIONS, AND PERSONAL MONEY MANAGEMENT

**by Homer J. Preston, Director, Purchasing Division
Farmer Cooperative Service**

I think some of the points Mr. Hausler made should be reemphasized and maybe elaborated on a little bit. I am talking about a conventional cooperative--one that is an economic unit. It provides an economic service. There is an in-flow of money. There is an out-flow of service so that it stands on its own. This conventional cooperative provides its service to farmer members so that its members can increase their incomes or levels of living.

This puts some restraints on the cooperative when we think of it in this term as to how far it can go in providing certain services. How far can you go without impinging upon incomes of farmers unless there is an actual economic need, and how far can a particular cooperative go? I think this is the major restraint when we begin to think of how good or how poor farmer cooperatives are in serving low-income people.

Farmer cooperatives generally provide three broad classes of services: Marketing, farm supply, and a general overall category we call services.

I will just hit some of the highlights and point out some of the problems as I see them when we talk about marketing.

In marketing there is an obvious requirement that there must be a quantity to market. In some poverty areas there may not even be sufficient quantity to merit a marketing program. This is not the only requirement, however.

In a modern marketing economy, there are certain requirements of quantity and quality, all these sorts of things which you have heard about time and time again. It may be virtually impossible to aggregate very scattered, very small quantities into meaningful economic units to market. This doesn't say that there are not certain special cases which have been pointed out. Perhaps you do have this specialized situation where you have such things as a farmers' market requiring a short season. It is in an isolated area and it can be handled in this matter. Handicrafts would be another type of thing.

But I think the big opportunity for conventional cooperatives to service the low-income market is quite limited. In farm supplies, another major category, the opportunities may be considerably greater. I say this because I think that for many years supply cooperatives have serviced not only the farm needs but the household needs, and as you service the household needs you have incorporated a principle of service at cost. And low-income families may properly go to cooperatives for some of their household needs and they will in fact get these goods and services at cost and often at substantial savings.

I would in all honesty point out that I think perhaps some of our farm supply cooperatives have not visualized the importance of this small farmer, the low volume purchaser that we talk about, in our generally large volume demand. The statistics are startling.

In one instance that I looked at, 2 percent of the patrons bought over 50 percent of the total volume of that particular cooperative.

But the coin could be reversed. There is also a large dependence upon the small farmer. And these statistics get startling after a while, too. You are serving a broad base of members here. They are small purchasers but they do become a significant thing. We sometimes confuse small purchases with small farmers. This is not necessarily the case. Some farmers give all of their business to a cooperative and in fact a small farmer may substantially outbuy the very large farmer who just makes spot purchases from the cooperative.

For example, we are making a study now on a couple of cooperatives in the Appalachian area. We asked the managers, "How much do you think you get from small farmers?" The estimates were right around 15 to 25 percent. When we actually made the comparison, they were getting 60 percent from the small farmers because these farmers did not have purchasing power outside of the cooperative and they bought all of their things from the cooperative.

Services is another category and is essentially the same type of thing.

We are not, I think, geared to the idea that a cooperative is an extremely flexible tool. There are many services that can be provided by a conventional cooperative-- custom or renting a machine, painting and spraying a building, that sort of thing. I do not think we have looked at these types of services well enough.

And I want to throw out one other idea in the area of services which is perhaps a fetish on my part and that is the role of credit unions. If there is one thing that perhaps is more important than anything else in low-income areas, it is personal money management.

I think the credit union is perhaps the most effective way of teaching this particular skill. This is a tough one for all of us and even more difficult when you have very limited capital. I know there are some people here interested in credit unions but I wonder if we are not stressing the wrong things when we talk about credit unions in poverty areas. We talk about savings and we talk about a place to borrow. Perhaps we ought to call these educational devices because their most important product may be personal money management.

Perhaps we have been too dedicated in farmer cooperatives to the idea that they are specialized cooperatives. In a poverty area we might well think in terms of a multi-purpose cooperative. I would say perhaps the nucleus of that is the credit union. You could then circle out from that and get into such things as purchasing supplies and marketing, perhaps, because you have a money base that you can use to do many, many things.

This has been a long-time practice of credit unions to do many, many things with the money that becomes available. I wonder if we don't need a different concept that a credit union might be a nucleus, that there might be many services that could funnel out from that.

And there is one other thing that I want to mention. In an area of concentrated poverty, I personally see a relatively limited role for conventional farmer cooperatives. If you don't have the base that you can market from, if you don't have a large volume that you can purchase so that you can get an economic unit, there is a relatively limited role in the conventional sense.

We may have to go to special devices. However, there are many areas where poverty is a scattered proposition and here, I think, farmer cooperatives could do a fantastic job of helping those almost isolated poverty cases or poverty cases within a moderate income area.

Perhaps the biggest ingredient that our conventional farmer cooperatives can give is to bring in people to the areas where concentrated poverty does exist. There, I think, we can look to our farmer cooperatives to give leadership. They have given it gratuitously in many cases. In many cases they have not been selfish about it. They have tried to do something because back of these farmer cooperatives is the element of service to membership, and I think they go beyond that and try to be good citizens in the total community and want to work in the poverty areas. I could cite you many examples of that.

COOPERATIVES, CREDIT UNIONS, AND COMMUNITY ACTION

**by Dudley Morris, Special Assistant
Consumer Education and Action, Community Action Program
Office of Economic Opportunity**

I will mention a few things briefly that the Office of Economic Opportunity (OEO) is doing in the way of credit unions and cooperatives.

One of the things that I have found that we have been faced with when we try to set up cooperatives and credit unions in various cities is that really many times they just don't work unless you have the sort of middle class managerial know-how to back them up.

One of the things we have to do for OEO is to try to get some training programs established and to try to get some of the existing organizations such as CUNA and The Cooperative League of the USA involved in the war on poverty, so that people who are interested in setting up these credit unions and cooperatives will get the backing and the training they need to do this.

We have helped fund a number of different credit unions already in Providence, Washington, Sacramento, and Phoenix. There are people who are building credit unions partly as a result of a conference we had a few months ago in Detroit--in Chicago, and in Pittsburgh, Cleveland, San Francisco, and Los Angeles. So I think you can see that the ball in this field is starting to roll.

One of the more interesting ones that we have had dealings with is the Southern Consumers, a group that operates out of Lafayette, La. They have been using credit unions and cooperatives in a number of different ways; as an example, the credit unions to build capital and as a source of education. Additionally, they have been building a producing cooperative. They have a fruit cake factory which received a grant under Title IV.

The whole battery of these instruments they are using is what I think we call sort of a new education as a means to economically motivate people in these areas to get together and start to do things together.

One of the things they have found is that the process of setting up a credit union or a cooperative in many instances becomes almost as important as the end result when you have the cooperative set up. I can think of examples in New York City where buying clubs have been set up in Harlem.

Sometimes it takes a long time. It may take 6 months to 8 months to get the people to the point where they get together and agree on their common problems and sit down and decide that they want to do something. Then maybe they do get together and form a small buying club. Then over a period of 6 or 8 months or a couple of years, they may save a couple of thousand dollars, at which time the buying club may go out of existence. But during that time I think these people learn valuable lessons about how to protect themselves from exploitation from low-income market places where there are unscrupulous merchants looking to make a fast buck on them.

After a while maybe they really won't need that buying club. They will have become trained enough so they feel they can go out and buy in supermarkets on their own.

We have been working on the whole general field of consumer action. And we are pushing--and I think this goes very much with the whole philosophy of credit unions and cooperatives--organization of consumers so that the people who are thinking of setting up credit unions and buying clubs and maybe buying cooperatives of various types are really starting some very, very basic block organizations. Working through these they will get people to the stage where they will get into credit unions and things like that. We really see this as a double tool--first as a valuable economic tool to help them save money and to create some economic institutions which will create a substantive difference in their lives, and second, as a very valuable means of organization and of education. For poor people, in many cases, power means organization and vice versa.

Along all these lines we hope that credit unions and cooperatives are going to prove a very valuable tool. They are beginning to catch on and we hope to see them spread over much of the country.

We have an informal working agreement with CUNA now, whereby some of its staff are going around the country and helping people organize credit unions. They have been in a dozen or so different cities.

We have a contract that Mr. Hausler mentioned with the Cooperative League which is sort of a two-phase contract. For the first phase it is a 3 months' survey of those places in the United States where cooperatives might be started. After that, there is a 6-months' stage where they are going to be providing technical assistance to these people in getting their cooperatives organized and under way.

Basically, we are operating along these general lines.

We are doing a number of other things. We have organized a rather large experimental program in consumer action in San Francisco called the Bay Area Neighborhood Development Association. That project is going to try a whole bag of new tricks in working on consumer projects. They have organized consumer councils on the local level very much on a block or door-to-door basis.

They are going about organizing these people and then these people, once they are organized, are going to be deciding what programs should be put on in these various areas. Among the things they are going to be trying out in these various areas is the organization of credit unions and various kinds of buying clubs. At the same time, they are going to be working on very much of a door-to-door basis, going out and getting the people who are not motivated enough to come into a consumer center. I think that they realize if you set up a consumer center, the type of person you really ought to be reaching is liable to be home with the kids and is not going to be able to get out and take advantage of the services you are offering.

Along all these various fronts, we are trying to push consumer action toward a new, broad, and very imaginative means of organizing poor people and giving them the methods and tools they need to protect themselves from exploitation and to better fend for themselves in the competitive market place of today.

FINANCING COOPERATIVES IN LOW INCOME AREAS

by Emmanuel Boasberg
Interagency Relations Department
Office of Economic Opportunity

I am glad to see Farmers Home Administration people here. I think that one of the points of our Office of Interagency Relations is to try and get as many other Federal agencies as we can to join hands with us in this common endeavor. For a long time, as many other Federal agencies will tell you, and as Mr. Gifford mentioned, many of our clientele have been in the poverty populations. I think they are as eager to see a full-time concentration on this problem as we are.

I also think, as we see already in the 302 programs run by the FHA, you are beginning to get the poverty people to the point where they can use some of the other services, some of the other facilities provided. FHA has 14 loan programs. I think we are already beginning to see an entrance there into some of the regular programs by people who ordinarily would not have been reached except by just giving them a little capital to get started and then get to the point where they can take advantage of some of these other programs.

On Mr. Preston's point, I think that a multipurpose cooperative is really something we should consider because there are many things that cooperatives can do and many places they can receive financing. Dudley Morris hit on one, the Title IV program administered by the Small Business Administration. We would like to see in rural areas a real cooperative effort between the Farmers Home Administration's cooperative loan program and the SBA Title IV program, also in the new Economic Development Act. So perhaps multipurpose cooperatives could give us a lead on tying in a number of Federal programs and a number of alternative sources of financing for the kind of people that we are dealing with and at the same time provide a base for community action which is almost, if not entirely synonymous with cooperative work.

I would like to ask the panel members about the nonagricultural part of the rural cooperative phase.

A severe problem in rural areas is one of underemployment or unemployment as more and more mechanization takes place. And I also wonder if the cooperative effort could not be used in the actual field of nonagricultural employment problems. I am thinking that you can have cooperatives to buy farm machinery. You could also have them to repair farm machinery and to offer farm machinery services or something like that. Can you link this in with a training program to train people to repair farm machinery, etc.?

Are there a number of avenues we could use cooperatives for to develop jobs and to increase jobs in a nonagricultural but still rural setting?

Reply by Chairman (Mr. Hausler):

It seems to me that there is a place here for Title III and Title IV and possibly the Economic Development Act, all of them--one can pick up where the other leaves off.

You have some very difficult problems. I know that FHA has been faced with the question, "why can't they make individual loans and let the individuals pool their \$2,500 and get into some kind of business beyond the processing and marketing and servicing?" Well, they can't, so there are some little gaps like that. They are going to have to put together some other kind of structure and turn to Title IV and SBA for Economic Development Act money.

Further Discussion:

Question: Mr. Gifford, can you make individual loans to purchase shares in cooperative associations? I don't think that those cooperative associations are limited to the 303 kinds of cooperatives.

Answer: No, in our legal loan program we can make loans to individuals who have a share in a cooperative.

Question: But not in a cooperative that would be manufacturing?

Answer: No.

Question: Well, if you get into something like farm machinery cooperatives, does anything exist in the first place for machinery and large items which couldn't be afforded by the individual farmer?

Answer: In our regulations we can make loans to individuals or to cooperatives in which the members themselves will receive the benefits from the services. In other words, we don't make loans to 8 or 10 unemployed people so they can buy a combine to do custom work for somebody else. We limit membership in the combine group to people who have combining to do. It has to be service for a member.

The value of cooperatives in reducing rural and urban poverty came under study at a seminar hosted by the Office of Economic Opportunity (OEO). The panel, chaired by Richard Hausler of OEO, center, included, from left to right, Henry Gifford, Farmers Home Administration; Homer J. Preston, Farmer Cooperative Service; and Dudley Morris and Emmanuel Boasberg, both of OEO.



Seminar IV - Development of Credit Unions - National and International

**CHAIRMAN -- ROBERT W. SEAY, Assistant Director for Program
Management Bureau of Federal Credit Unions
Department of Health, Education, and Welfare**

INTRODUCTORY COMMENTS

**by Robert M. Ball, Commissioner, Social Security
Department of Health, Education, and Welfare**

Today, throughout the United States and the rest of the free world, we are celebrating Credit Union Day. We are pleased that you have joined us for this occasion and for a continuation of the cooperative observance program through a review of the role that credit unions have played as "Partners in American Life."

This celebration comes at a time when America has become more aware than at any time in the last 25 years of the need to act to prevent poverty and to promote economic and social security. The conscience of the country has been aroused anew by the shocking contrast our society offers of poverty and underprivilege in the midst of general prosperity.

The Economic Report of the President, January 1964, in commenting on the plight of the less-privileged Americans described some of their problems as follows:

"It is a world where a minor illness is a major tragedy, where pride and privacy must be sacrificed to get help, where honesty can become a luxury and ambition a myth."

Against this backdrop, 1965 will be recorded as a most historic year in the development of programs of health, education, welfare and social security designed to change this situation. To name just one of the great accomplishments: The cost of illness in old age will no longer be a major threat to security or a preface to tragedy.

The credit union movement is an important part of this same attack. It is a bulwark against deprivation and insecurity. Credit unions have created sources of credit at reasonable rates of interest and have not only permitted the working man to improve his standard of living but, more importantly, to maintain his self-respect in times of need.

I think it is important, too, that credit union members are partners with the Government in an undertaking characterized by self-help. The philosophy of self-help has been one to which this Nation has subscribed since its beginning and I believe that the Federal credit union program is a good illustration of the soundness of that philosophy. I am sure that this outstanding cooperative thrift movement will continue to grow and prosper as it helps all Americans help themselves to economic security.

We are privileged to have as a speaker, today, a man who is well known for his outstanding contribution in the fields of health, education, social welfare and social insurance. He is a man who has been motivated by his intense desire to help people who need help but even more importantly by the desire to create conditions of life that make it possible for people to help themselves--to wherever possible create the situation where fewer and fewer people have to be given help and more and more people either alone or working cooperatively do things for themselves.

He long ago recognized the contributions that the credit union movement could make to the solution of problems through mutual self-help. Shortly after the social security program got under way a group of those involved in its administration decided that they needed a credit union. The credit union, now known as HEW Employees Federal Credit Union with almost 6,000 members and \$2 1/4 million in assets, was begun in May 1936. Our speaker was one of the incorporators and still is a member of that credit union.

He has always been a booster for the credit union movement and for any legislation that would benefit it--and, I might add, for any legislation that would improve the welfare of the American people. In fact no American in recent times, with the single exception of President Johnson, has contributed so much to the broad advance of important social legislation. He has devoted many years to the development of projects, programs, and laws that would help people build security and give them the opportunity to enrich their lives and to cooperatively work with others for mutual benefit. He is eminently qualified to speak on "Cooperatives--Partners in American Life."

I am happy to present the Under Secretary of Health, Education, and Welfare--
Wilbur J. Cohen.

CREDIT UNION ACCOMPLISHMENTS

**by Wilbur J. Cohen, Under Secretary
Department of Health, Education, and Welfare**

I was especially pleased when we received the invitation of Secretary Freeman to participate with the Department of Agriculture in a cooperative observance program attuned to the theme "Cooperatives--Partners in American Life."

All of us are members of the greatest cooperative of all--"The Great Society" which has as its goal the elimination of poverty and hopelessness through cooperative effort.

Our world today is quite different from what it was in the 1930's when Congress created Social Security and when Federal credit unions were born. Our world today is

better because people of vision determined that it should be. I am sure that you will recall these words of Franklin Delano Roosevelt--

"The test of our progress is not whether we add more to the abundance of those who have much; it is whether we provide enough for those who have too little."

While it seems like a long time, credit unions in just 31 years have contributed much to develop a system of consumer credit which has not only enabled people to live better but has also stimulated production and jobs, and opened new vistas of living.

But the real contribution of credit unions in personal credit has been the service to those in the lower income brackets. In 1934 Congress stipulated that the purpose of a Federal credit union, among other things, was to make available to people of small means credit for provident or productive purposes. Some recent studies show conclusively that the poor still pay more for credit and for everything else and that consumer education is needed because people who are disadvantaged economically and educationally do not know how to make wise consumer decisions about borrowing or buying. But what good is it for a person to know that he is being exploited if he has no alternatives to the high-rate lender or the loan shark?

It is in these areas that credit unions show their true worth. The expanding facilities of credit unions are making low cost credit services more readily available to the person of small means. In keeping with the philosophy of the movement, the credit union officials show a sympathetic understanding of the needs and aspirations of the members. The members are quick to respond to such personal relationships.

Credit unions are cooperative associations. Individuals are important, but as they band together they can make the most of their resources and opportunities, particularly in money matters. Dealing with a credit union has given many persons their first experience of the true meaning of working with others.

The lessons learned in credit unions can play an important role in community development. In addition to the important role of helping people to learn to be thrifty and thereby creating capital for economic and material improvement, credit unions also contribute social and moral values to the community.

The voluntary participation of so many people, especially those in the lower income groups, in the operation of a credit union, teaches them the foundations of self-government and extends their general education. Not the least of the accomplishments of credit unions has been the replacement of despair with hope, and the kindling of faith in the hearts of people who never had faith in themselves before.

The elimination of usury avoids economic waste and makes more money available for necessities. A source of credit at reasonable rates created by the people from their own savings provides funds to educate themselves or their children, provides for needed medical care, and provides funds for tools and materials to increase productive income.

Because we in the Department realize the tremendous good that can come from credit unions, we have tried to provide Federal credit unions sympathetic and understanding supervision without domination or control. It is a practical expression of the desire of government to work as a partner with people to develop successful self-help organizations which they own and control. Through these organizations people can solve their own problems.

On September 9, 1965, President Johnson saluted the progress of credit unions. His statement of congratulations on the observance of "Credit Union Day" carried these words:

"Credit unions here and abroad are providing people of modest means with a way to accumulate their savings at ample interest, and with a reliable source of loans at fair interest rates. They are helping the poorer and less privileged to partake increasingly of the more abundant life. They are helping in our own fight against poverty under the Economic Opportunity Act of 1964. They are performing similar service for the needy abroad under the sponsorship of the Peace Corps and of the Agency for International Development."

I join with President Johnson in saluting credit unions. American credit unions have made and are making a great contribution to our national welfare. This is the kind of satisfaction I am glad that I can share with you. I feel sure that credit unions will continue to set one of the finest examples of a true cooperative, of self-help in the best American tradition, as we plan for and move into the exciting and challenging future.

I will now turn the program over to J. Deane Gannon, Director of the Bureau of Federal Credit Unions.

SUCCESS STORY

**by J. Deane Gannon, Director
Bureau of Credit Unions
Department of Health, Education, and Welfare**

This is the story of credit unions. We like to call it a success story since it relates to how individuals have used the tool of cooperative self-help to improve their own financial position and, as a byproduct, have improved their communities and contributed to the economic stability of their country.

The members of credit unions are partners in their venture. The impact of thousands of credit unions on the nation's economy makes them truly "Partners in American Life."

In order to tell the story of credit unions we went to the members and officials of credit unions, and asked them to tell us of the effects of credit unions on their lives. Today they will tell their stories to you in their own way, and in their own words in the slide presentation that follows. These stories are not unusual ones; they are everyday occurrences in credit unions everywhere.

We will discuss credit unions in general to lay the foundation for an understanding of the effects of their operations on the people they serve and on the economy.

In the process we will also tell you a little about the Bureau of Federal Credit Unions so that you will better understand the role of government in this cooperative endeavor. The history of the movement will be touched, not only because it is interesting, but because it provides the background for appreciation of what the credit union idea has been up against, and how, spawned in poverty, credit unions have prevailed because of basic cooperative principles and good will.

We will discuss credit unions on the domestic and international scenes and their use as a tool in teaching democracy. We will show you how credit unions can fight in the War on Poverty and return dignity and responsibility to the less affluent members of our society.

Other Program Highlights

Mr. Gannon then introduced Robert W. Seay, Assistant Director for Program Management, and William M. O'Brien, Associate Regional Representative, both of the Bureau of Credit Unions, and Rev. Geno Baroni, Executive Secretary, Archbishop's Committee, Community Relations, Archdiocese of Washington.

Mr. Seay and Mr. O'Brien used color slides and tape recordings to describe the credit union movement. They covered all aspects of credit union movement history, the program today, its role in consumer credit and savings, the role of the Bureau of Federal Credit Unions and Government in the movement, its contributions to our national welfare, and others.

Using slides to picture local credit union officers and members and taped recordings to let them tell their own stories, the two seminar leaders showed how credit unions have brought self-respect through self-help to millions of Americans. Besides regular credit unions chartered by church or employee groups, illustrations included unusual ones like a junior credit union formed to educate youngsters in thrift and a sheltered workshop credit union started to help handicapped workers.

Rev. Baroni talked about the credit union as an ideal--"an institution for social reform." As a clergyman from an impoverished section of Washington, D.C., and as a recent member of the President's Committee for Juvenile Delinquency Planning, he said he is worried that we are developing an American culture group which separates middle-class suburban people from those living in the center city.

He said he felt that economic illiteracy was currently the big problem among the poor. "You cannot talk to people about saving," he said, "unless you provide them with a proper education. In Washington, we have seen very good evidence of what credit unions can do." In conclusion, he said, "I challenge and urge all of you to help promote the credit union ideal throughout the world."

Seminar V - Cooperative Housing

**CHAIRMAN -- HARRY E. JOHNSON, Director Cooperative Housing
Division, Federal Housing Administration**

RESUME OF COMMENTS BY PARTICIPANTS

Harry E. Johnson

Activity in the cooperative housing field has increased since World War II and particularly since 1950, said Mr. Johnson, Director, Cooperative Housing Division, Federal Housing Administration (FHA), who officiated at the Cooperative Housing Seminar. He said 1950 was the year Section 213 of the National Housing Act came into effect, permitting FHA to insure loans on cooperatives. Since then FHA has insured \$1.3 billion worth of loans.

Dwight D. Townsend

Mr. Townsend, Washington Director, The Cooperative League of the USA, said the \$1.3 billion in loans under Section 213 covered 105,588 units for nearly half a million people. He added that losses through foreclosures were practically nil. One use of Section 213 is for senior citizen homes.

"A cooperative is an organization that brings goods and services to people who use it. It is organized to meet a need and designed to be a community builder. Every cooperative I know of in the commercial field keeps money in the community for reuse, while a business that is not cooperatively owned, or is absentee-owned, siphons money from the community," Mr. Townsend said.

Wallace J. Campbell

Mr. Campbell, President, Foundation for Cooperative Housing, said there are many hundreds of thousands of cooperative housing units in the world--even Communist Poland is switching from State-owned housing projects and has authorized development of regular housing cooperatives and individual ownership (condominium) cooperatives.

Morton Leeds

Mr. Leeds, Director, Senior Citizens Housing Loan Program, Community Facilities Administration (CFA) of FHA, described efforts being made to provide housing for per-

sons of retirement age. He said his organization has the machinery for a cooperative approach, but it has not yet been used. Non-profit organizations, including cooperatives, are eligible for 100 percent loans at a 3 percent interest rate. Organizational expenses, kitchen equipment, and land can be included in the loans. Housing in nursing homes may include recreational facilities and the doctor's office.

Wendell G. Addington

Mr. Addington, Executive Secretary, Michigan Association of Housing Cooperatives, Inc., stated cooperative housing is being developed for elderly citizens in Detroit. He said one out of six Detroit residents is a member of some type of cooperative organization.

Roger Willcox

Mr. Willcox, President, FCH Company, Stamford, Conn., spoke on organizational sponsorship of cooperatives and warned against sponsorship by persons whose sole purpose is to achieve personal gain. He said techniques and controls of sponsorship should be tightened and strengthened and not relaxed.

David L. Krooth

Mr. Krooth of the Washington, D.C. law firm, Krooth and Altman, indicated that the future of cooperative housing appears bright, promising, and exciting. He said cooperatives have a great new opportunity to serve areas which have long been neglected, to serve with other private enterprise, and to serve areas heretofore only served by public housing. This will help bring together all the people in the lowest income groups so they can improve themselves and participate in a democratically-run organization with a sense of dignity and respect, Mr. Krooth explained.

Part of one of the audiences attending the eight seminars held as part of Cooperative Month observances by Federal Departments and agencies. This photograph was made at the Bureau of Indian Affairs auditorium when the Department of Interior held its cooperative month seminar.



Seminar VI - Training Programs for Cooperative Employees and Leaders

**CHAIRMAN -- WILLIS S. SLOAN, Chief, Division of Domestic Activities, Office of Farm Labor
U.S. Department of Labor**

COOPERATIVES NEED MANY SKILLED WORKERS

**by I. W. Rust, Chief
Member Relations Branch
Farmer Cooperative Service**

Cooperatives employ many kinds of people in tasks ranging from relatively simple functions such as warehouse labor to highly complex jobs such as accounting and computer programming. Often the supply of trained workers is less than the demand. In these cases the cooperatives must do as other business firms do--establish employee training programs.

The essential element in a cooperative is group action to solve problems common to all in the group or provide services needed by the group. A successful cooperative, however, can and usually does serve the community as a whole, directly or indirectly.

The cooperative is a uniquely effective tool, but like most tools it cannot be used to solve all problems. If there were more effective leadership and rank-and-file understanding of the nature, possibilities, and limitations of cooperatives, I believe they could be used more often and more effectively as problem-solving tools.

What are some of the needs of our people that cooperatives might fill? The new Economic Opportunity Program is providing much needed incentive for us to examine this question. Since Economic Opportunity loans became available in January 1965, some 85-90 new cooperatives have been organized. These, too, have the potential of providing direct and indirect economic opportunities in the communities they serve.

Finally, let's look at the other side of the cooperative picture--the cooperative as a source of rural employment.

There are 43,907 cooperatives in the United States. They include marketing, purchasing, related services, dairy herd improvement, artificial breeding, electric, and telephone cooperatives. They also include Production Credit Associations, Federal Land Bank Associations, Farm Credit District Banks, credit unions, mutual irrigation associations, and county farmers mutual fire insurance companies.

Together these cooperatives employ 276,500 people. They provide jobs for airplane pilots, managers, bookkeepers, accountants, salesmen, graders, packagers and truck-drivers. Researchers, fieldmen, appraisers, writers, clerks, secretaries and many others with specialized abilities are required to keep cooperatives operating efficiently.

Most cooperatives count on rural residents to provide needed employees and most cooperatives provide some form of in-service training to help employees fit themselves for better jobs. Cooperatives pay the same wage scale as other employers and, as other employers, constantly need new additions to their work force.

As new cooperatives are formed under the impact of the Economic Opportunity program there will be many additional job opportunities, often calling for new skills.

TRAINING COOPERATIVE EMPLOYEES

**by Bob Beasley,
Director of Publications
Consumers Cooperative Association,
Kansas City, Mo.**

My job today is to define the skills needed in co-op jobs. I'll narrow the scope of the job, reporting only what we at Consumers Cooperative Association consider to be the skills, or knowledge, that we think cooperative employees need and that we think we can help them acquire through our training program.

I appear here today as a substitute for Dr. J. Del Miller, the Executive Director of our School's program.

Because he has discussed the assignment with me and because I have done quite a bit of writing for the School in the last year or two, I feel I can give you an adequate picture of the program.

Here's how I'll do it: First, I'll give you a general report on whom we train, what we teach, how and by whom we do the teaching, and why we teach. I'll wind up with a box score from last year and a few general remarks about the program.

Who We Train

The big majority of people we train is made up of employees of local member-associations. Some 1,800 cooperatives own CCA. The employees of those co-ops make up most of our Schools' program students.

We also train locals' directors and, to a lesser degree, their members. We also offer training programs for CCA employees.

And a certain number of folks who fall into none of the categories I've mentioned also take part in the program. They include employees from other regionals, foreigners assigned to the School by departments of our government, specialists from firms that sell to us.

What We Teach

What do we teach? What we teach each student is geared primarily to him, his job, his future. As I discuss this subject, I'll stress the local employee.

What we teach employees ranges from the sophisticated management skills for general managers to basic product information for clerks in farm supply stores. We might teach everything from how to budget for a multi-million dollar operation to how to operate a gas pump.

Here I want to report an observation by Dr. Miller on the subject assigned for this talk. He points out that our experience leads to the conclusion that co-op employees need knowledge more than skill. They're advisers, not salesmen or specialists in the usual senses.

To sum it up, I would say that a co-op employee needs to know how to help the co-op's members--highly mechanized, often-automated farmers--in business.

We can divide CCA training programs into two broad categories. One encompasses those programs taught in or from the School. The other encompasses those operations administered outside the School.

The heart of our School's program is a group of short courses and clinics offered through the traditional school year and during a brief summer session. This year, we are offering 33 subjects in 55 separate short courses. Nearly all run five days during which students live at the CCA School.

Our correspondence courses are administered from the School. What is taught in them is indicated by this list of titles of courses offered currently: Petroleum salesman; general petroleum; fertilizer; feed; agricultural chemicals; tires; batteries and accessories; cooperative organizations; cooperative bookkeeping; animal health; LP-Gas; and sales.

The correspondence courses are not considered a replacement for short courses. They reinforce them.

I am not going to stress the programs we carry on outside the School. They might be broken down into those designed to train employees and those designed to give directors the information and background to make them better judges and directors of a business.

The employee training programs include one new program that should be of special interest here. We call it a management preparation course. It's designed for young men in middle management positions in local cooperatives who show potential for general managership. Last year it was an experimental program in Iowa and Missouri; this year Kansas and Nebraska also will be sites for these courses.

Who Teaches

We have ten full-time staff members for the School's programs. That number includes people who direct the feeding and housing of students when they are at short courses.

Some 60 to 70 members of the CCA staff appear from time to time as short courses instructors.

We hire a few specialists, especially management experts of the Paul Stokes, Tom Lawrence caliber, who are particularly effective in our management training programs. And representatives of suppliers who sell products to CCA often appear as short course leaders. In this group we include men from the Dupont and Ethyl Corporations, from Minneapolis-Moline, and many others, including a spark plug maker who flies twice a year from New York to make just an hour or two appearance at the School.

Why CCA Trains

All of this suggests an obvious question: Why is CCA this deeply committed in training?

There are a couple of very simple explanations: First, local member-associations need a place to train their employees and directors. They recognize that need and are willing to pay for it, either directly or through their membership in CCA. Secondly, CCA benefits from this training, too. I think I can best illustrate this by quoting what Mr. Young, our President and General Manager, wrote for a brochure recently published about our School.

"CCA's present school facilities went into production in October, 1961, when a group attended the first short course in the new building. The output has been improving in both quality and quantity ever since.

"Comparing the School to CCA's more conventional factories isn't as far-fetched as might appear at first glance. The School's raw materials are people, information and ideas. They are brought together at the School under the proper conditions.

"The results are harder to measure than the output from a refinery or a nitrogen plant. But they're at least as important.

"Probably when you think of the results of an educational program, you think first of benefits to the students, in this case mostly representatives of associations that are CCA member-owners. But in this case there has been another benefit. From the growing numbers of locals' employees marching through the classes at the School, CCA's own staff has learned about as much as it has taught."

Last Year's Box Score

Now, for that box score I promised. These figures are just from last year's program, and they don't include everything that our School staff did. But I think they give you a pretty good indication of the scope of our operations.

Forty young men were in management preparation courses; 250 local cooperative directors attended one-day seminars; 700 local cooperative directors and managers attended two and three-day institutes scattered throughout the dozen-state area CCA serves; 500 persons took correspondence courses; and somewhat over 1,500 people attended short courses and clinics at the CCA School.

When you add that up, you come to about 3,000 students. And when you realize there is very little overlap between programs in a single year, you come to the conclusion that we are, in effect, running a small technical college for cooperatives and their employees and members.

Some Random Remarks

Finally, I'd like to make some remarks about our program. Ours, as you probably noticed, are mostly post-job training programs. But we hope to begin a pre-employment training program. Dr. Miller has had this in mind for some time. And he wonders if our experience and specialists in this area might not be valuable to the government manpower development program. He tells me that he has been having some dialogue with the Kansas City labor office but has not effected any kind of agreement. He is considering a program of somewhat expanded training--for example, a series of four two-week sessions during a year--for people before they are hired as a condition of employment during their first year on a job.

Dr. Miller and I agree that we have experience that would be helpful in any cooperative training program. Here are just three of our advantages:

1. We've had experience operating this sort of program within the frameworks of the various state and federal laws.
2. We've run a program long enough to measure results, to get reactions to the program both from men being trained and from employers who hire the men.
3. We have records on men and on jobs in the Midwest that would help with placements and expansions.

At this point I think it's important to stress that CCA does very little, if any, hiring of the people it trains. But about 95% of the people it trains either are on the payroll of a local co-op when they take the training or will soon be thereafter.

Dr. Miller estimates that there are at least 3,000 "new hires" per year among the cooperatives that deal with CCA, and he stresses that that's a conservative figure. We can't force employment of any of the people we train and we have no reason to force their employment. Local associations need trained people and have evidence of and confidence in our ability to provide the training.

I want to add some observations of my own about the people we offer training to and the jobs for which we train them at CCA's School. As a resident of the Midwest and a writer who has traveled in the Midwest now for a decade and a half, I have seen the dislocation of people moving from farms and small towns to cities in search of economic opportunities. Too often the end results of such a move are unhappy, whatever the economic results.

Jobs in local cooperatives offer farm and small town people chances to apply skills and understanding that they have developed throughout their lives without the social and economic wrench that so often accompanies a move away from the environment with which they're familiar.

We're proud of our School's program. We intend to improve and expand it. We're willing to discuss broadening its scope, if we can provide a useful service.

CLIMATIZING THE LOW-INCOME AREAS FOR COOPERATIVE ADVENTURES

by Henry E. Taylor, OMAT Project Director

Tennessee A. & I. State University

Nashville, Tenn.

If cooperatives can be effective instruments for bringing about a better life for individuals with average or better incomes, they should even do better for the individuals whose incomes are categorized at poverty stricken levels of living. Strangely enough, most of our present-day efforts have been for and with those whose standards of living have been average or above; those who because of their own initiative and inner urge, could seek out a good living without the benefits of cooperative efforts. Surely we understand that through cooperation our total input factors will be greatly enhanced. We simply want to call your attention to a new group of people whom we have never considered as potential cooperators. These individuals need our assistance, encouragement, guidance and support from every angle, so they can cut themselves loose from the shackles of poverty that enslave them and become useful and contributing citizens to the economy of which we all are a part.

No chain is stronger than its weakest link. Thus, no economy can be strong and unshakeable unless all the citizens have an opportunity to share, in a tangible way, in its growth and development. Therefore, I challenge you to go among the poverty stricken people in your communities, seek them out and help them to organize the types and kinds of cooperatives that will best fit their needs.

This cannot be done through humiliation and "talking down" to the poor. You must get among them, be with them and make them feel comfortable around you. You must gain their faith and their confidence, but do not betray their trust. We call this effort climatizing the area. It must be done in this fashion if you are to really help those who need

your assistance. You must remember that some of these people have been poor so long that it's a way of life with them. They are satisfied with their status--but, what about you? Are you satisfied, happy, and contented to see them suffering, in want and in need for just some human kindness and understanding?

We have just completed a survey in 21 West Tennessee Counties where there were 105,000 families whose incomes were less than \$3,000 per annum. Our survey was designed to do three things, namely:

1. To establish a reservoir of workers for local utilization.
2. To establish a reservoir of seasonal short-term farm workers for employment outside of the local area.
3. To establish a reservoir of individuals who were interested in training or re-training under the various federal-aid programs in operation in Tennessee.

Of the potential 105,000 families, we only contacted 23,683. This represented 55,835 individuals. Of this number, 15.43 percent were pre-school age children; 37.84 percent were school age children; 36.28 percent were individuals in the labor force, and only 10.45 percent were senior citizens.

Although we had our attention focused on other problems, here was a vast potential for many types of cooperative adventures. Here was a group of people who needed the services which could be rendered only by cooperative effort. A few things which could be done would be to design programs to:

1. Help the pre-school age group to get a head start by providing health facilities, recreational and educational activities which otherwise would not be available to them.
2. Provide the school age group with part time employment so they can reach their vocational objectives.
3. Give local employment to the people in the rural community where they live--create jobs where they are needed.
4. Involve the senior citizens of the community by giving them an opportunity to contribute to the welfare of the total community.

Community volunteers organized into community councils on employment opportunity, with committees to work on several facets of community living and problems, could be an asset in establishing the aforementioned or other cooperative adventures in these communities. The low-income families are there; they are willing to be helped; the challenge is yours. What about it?

TRAINING PROGRAMS FOR COOPERATIVE EMPLOYEES AND LEADERS

**Summary of paper submitted by James May
Mississippi Field Representative
National Sharecroppers Fund**

Cooperatives as business enterprises have long been recognized as a means for bettering economic conditions for those who participate as members. Today there are many small farmers and producers who are on the verge of economic extinction due to their inability to compete with larger farm units. Cooperatives can help many of these farmers prosper. Among the principal needs for cooperatives to succeed are competent managers and directors. Managerial skills are often rare among the low-income farmers who most desperately need the opportunities afforded by cooperatives. Cooperative training programs are greatly needed if successful cooperatives are to be organized.

Cooperatives as business enterprises and cooperation as a method for dealing with community problems are both vitally needed to bring economic advancement and social well-being to large numbers of rural residents. The mechanization of agricultural operations has forced a wave of former sharecroppers and tenant farmers from the land on which they earned their livelihood, poor though it was. Many of these farmers have settled on small plots of land which are often individually too small to compete with the mechanized operations of their neighbors. Part of the job of the War on Poverty is to help save the investment made by these individuals in their farms, their homes and their communities. To this end, increased efforts are needed to assist the development of cooperatives and to train cooperative leaders.

A loan to a group of farmers to buy machinery cooperatively may be one answer. A group of farmers in Camden, S.C., obtained a \$19,000 Equal Opportunity loan to purchase a one-row mechanical cotton picker and two wagons, and thus improve their economic potential. A marketing co-op to permit farmers to receive a higher payment for their products may be the important factor, as it was with a group of farmers in Panola County, Mississippi. This group, with whom I worked, assisted and encouraged, has now expanded to the point that Office of Economic Opportunity (OEO) has granted them a \$113,000 loan for the purchase of a cotton picker and other farm machinery, and for the construction of facilities to market okra and other farm products.

In the case of an oil cooperative in Tennessee, a loan of \$49,000 was allowed for the development of facilities for marketing of farm products and the sale and distribution of oil products to its members. These are a few examples of what can be accomplished if low-income rural people are informed, encouraged, and assisted in the development of sound programs for co-ops which fit their needs. In each of these cases, the National Sharecroppers Fund field staff helped to supply the information, encouragement and assistance needed. The relevant government agencies should establish programs which will be effective in reaching farmers in a similar manner but on a much larger scale.

The Farmer Cooperative Service of USDA and the land grant colleges and universities can serve to bring the needed training to farmers who stand ready to benefit. Courses are needed in bookkeeping, accounting, the use of machinery, land, seed, and fertilizers, management, and the history of cooperatives. The classes must be offered at a time and place convenient to the co-op members, managers, and directors.

The Office of Economic Opportunity has been able to help new credit unions train, hire and pay the salaries of managers in the early stages of the credit union operation. So must OEO, the Extension Service of USDA, and the Department of Labor find ways of bringing these co-op courses to the people and helping finance their attendance. The one-day institutes offered through the University of Tennessee and the Louisville Bank of Cooperatives are an example of what can be done. However, in some cases more extensive training will be required and should be provided. The Department of Labor should play an important role in setting up these programs.

RESUME OF REMARKS

by John S. McCauley, Director
Office of Manpower Training Operations
U.S. Department of Labor

The talks today have opened up new possibilities for our programs that we had not considered before.

Since Federal manpower training programs must be tied to reasonable expectation of employment, cooperatives may offer some new job opportunities not presently available.

Our programs must provide the most efficient type of training, whether institutional or on-the-job, and there must be some provision for evaluating the training. We want to know if the best people are being selected, and whether those who have been trained are using their training.

I see possibilities of using the Consumers Cooperative Association training facilities and tying with the Tennessee A&I State University group Dr. Taylor mentioned.

State employment offices can work with cooperatives to outline manpower training and assist in making training plans. State advisory committees can also be brought in.

Participants in Department of the Interior seminar on cooperatives were, left to right, Everett E. Wood, Bureau of Indian Affairs; Milton A. Chase, Water and Power Development; L. D. McMullin, Bureau of Commercial Fisheries; Under Secretary of Interior John A. Carver; and Harry Shooshan, Assistant Director, Resources Program Staff.



Seminar VII - The Department of Interior's Work with Cooperatives

**CHAIRMAN -- HARRY SHOOSHAN, Assistant Director
Resources Program Staff, Department of the Interior**

INTRODUCTORY COMMENTS

**by John A. Carver, Jr., Under Secretary
Department of the Interior**

On behalf of the Secretary of Interior and the Department it is my pleasure to open the seminar. The department is privileged to be present in marking the beginning of Cooperative Month.

This morning I saw most of you in the Department of Agriculture auditorium and listened to the very fine presentation by Secretary Freeman in which he paid tribute to the wide governmental interest in cooperatives and the unity of leadership under President Johnson.

The same breadth of interest exists within the Department of Interior. We have a great deal of pride in our involvement with the lives of citizens of our country, particularly in the Indian area.

On a trip to Sweden before coming to the Department I had an opportunity to observe the effects of cooperation and some of the research being done to bring new knowledge to the problem of harvesting timber.

Unexpectedly to me, Sweden was trying to develop one-horse methods. It was turning the clock back and taking into account that it was important to bring the small owner in. If he was to compete he had to have tools, and these were not the tools of increasing bigness. So it wanted to provide the means whereby a man with a small woodlot could, in the winter months, efficiently and economically remove timber and take it to market and make a profit.

Among the tools being devised was a hillside wagon with a flexible wheel arrangement so that one side of the load wouldn't be higher than the other. Another was an automatic braking system for a wagon, designed to operate automatically when the horse stopped on a slope.

Our bureaus and the cooperatives working with them also work to meet the specific needs of specific local areas.

There is a genuine dedicated effort throughout the administration to activities that are useful, practical and economical, and that will help make this country a better place for our children than it was when it came to us. We agree with Secretary Freeman that these efforts can be coordinated.

OBJECTIVES OF THE MEETING

**by Harry Shooshan,
Assistant Director
Resources Program Staff
Department of the Interior**

We plan to do two things in our seminar today. First we will describe some of the uses that are now being made of cooperatives in three areas, Indians, commercial fisheries, and electric power. Then we hope to hear questions, ideas, and suggestions from the floor that will result in better use of the cooperative tool in the years ahead.

Our first speaker today has been in government service more than 25 years. His main area of activity is in credit work in the home office and in the field. He rates his work with Indians as one of the most exciting and interesting parts of his career and he has helped organize cooperatives that have helped Indians improve their incomes and living standards.

He is Everette E. Wood, Assistant Chief, Branch of Credit and Financing, Bureau of Indian Affairs.

INDIAN COOPERATIVES ; PARTNERS IN AMERICAN LIFE

**by Everette E. Wood
Assistant Chief
Branch of Credit and Financing
Bureau of Indian Affairs
U.S. Department of the Interior**

For a better understanding of Indian cooperatives, permit me to present a few observations on the background of the American Indian.

The first question that usually comes to the layman's mind is: "What is an Indian?" Although Congress has not given a general definition by legislation nor have the courts by interpretation, we would generally be correct from the standpoint of our responsibilities if we define an Indian as a person having a drop of Indian blood and receiving special services from the Government because of his status as an Indian.

Indians, including Eskimos and Aleuts, receiving such services total about 380,000. The total Indian population in 1960 was approximately 552,000.

I think most of us will concede that the Indians were here first, or at least they met the boats, and subsequently laid claim to most of the nearly 4 million square miles of the United States. Today, the Indians' landholdings consist of about 79,000 square miles, or an area the size of the six New England States. The Navajo Reservation in Arizona, New Mexico, and Utah makes up a third of the Indian holdings.

There are a lot of misconceptions about Indians. Indians are citizens and they can vote. Indians are not wards of the Government. Many Indians live on reservations. But, you don't need a permit to get in, and they certainly don't need a permit to get out.

One often hears the remark that "Indians are all alike." There is certainly one big aspect in which they are alike and that is on the matter of Indian pride. The Indian is proud of his heritage. He does not wish to be other than Indian. Otherwise, there are many differences.

Although there are thousands of cases of early international and inter-tribal relationships, it is estimated that at the time of Columbus there were 500 or more languages spoken north of Mexico. Today, there are 150 languages in use.

Indian customs and traditions vary from group to group. Although with the growing ease of travel and communication and with the growing trend toward common schooling and off-reservation jobs, the Indians are beginning to develop ulcers along with the rest of us and often find themselves becoming stereotyped into the "go-go", capitalistic American. It's not uncommon to see a little Indian house out in the middle of nowhere sporting a big, elaborate TV antenna.

Indians are certainly not all alike. They have different capacities and ideas just the same as other folks. When it comes to capacities they have big businessmen (such as W. W. Keeler, Chairman of the Executive Committee of the Phillips Petroleum Company and Principal Chief of the Cherokee Tribe) and small businessmen (such as barber Bob Taptto of Anadarko, Okla.)

They have national public servants (such as Honorable Benjamin Reifel, a Sioux Indian and Congressman from South Dakota) and local public servants (such as Joseph R. Garry, Chairman of Coeur d' Alene Tribe, Idaho).

They have performing artists (such as the renowned ballerina Maria Tallchief, an Osage Indian from Oklahoma) and artisans (such as Maria Martinez, the famous pottery woman of the San Ildefonso Pueblo, N. Mex).

When it comes to ideas, they have humanitarians (such as Thomas Dodge, a Navajo, who inaugurated large-scale programs for the conservation of the natural resources of the Navajo Tribe) and individualists.

It is true that these individuals are famous and considered to have risen above the group, but they serve to mirror the differences which exist among their fellowmen. Many of these fellowmen are merely asking for a fair opportunity to develop their capacities and talents. This is where the Bureau of Indian Affairs (BIA) comes in.

Our programs and policies are directed toward emphasis on economic development, better education, and improved housing for the Indians. It is recognized that the BIA is not alone in this work. In this connection, particularly significant for their contributions toward the social and economic advancement of the Indians, are such Federal agencies as the Farmers Home Administration, the Small Business Administration, the Public Housing Administration, the Community Facilities Administration, the U.S. Public Health Service, and (most recently) the Office of Economic Opportunity. Significant, too, are the state and local governmental agencies, community organizations, churches, and private businesses.

The Federal Government recognized at an early date (after the so-called period of conquest, confinement, and confounding of the Indians) that if the Indian was expected to try to help himself through the undertaking of economic enterprises, he must have access to capital with which to develop and use his resources. Thus, Congress in 1908 made the first appropriation for credit, but it was limited to a specific group of Indians on the Fort Belknap Reservation in Montana.

It was not until 1915 that Congress began making annual appropriations of varying amounts, though never large, for general credit use among Indians. Such appropriations, which were reimbursable back into the U.S. Treasury, and the tribal funds which were authorized for similar use, comprised the so-called "reimbursable loan program." That program gave individual and tribal enterprises, as well as Indian cooperatives, their first big impetus.

The cooperative type of organization was particularly adapted to the needs of the Indians. The primitive economy of the Indians was a type of cooperative economy. The type of enterprises they undertake still often call for group effort and fit very well into their economic development.

It was soon recognized that, aside from the lack of training of the personnel administering the fund, the number of employees available made it physically impossible to provide the Indians and Indian cooperatives with the assistance and guidance they so badly needed in planned expenditures for their economic development. In order to meet this need head-on, the Division of Extension and Industry was established in the Office of Indian Affairs in 1930.

The extension program was well-received by the Indians, but they were still handicapped by inadequate capital for a more complete utilization of their available resources. A very significant attempt was made to overcome the credit shortcoming, as well as many others, with the passage of the Indian Reorganization Act of June 18, 1934, which legislation dramatically changed the course of Indian Affairs. That Act authorized the appropriation of \$10 million for the establishment of a revolving fund for loans to Indians and Indian organizations.

The authorization has since been increased to \$20 million plus additional authorizations of \$2 million under the Oklahoma General Welfare Act of 1936 and \$5 million under the Navajo-Hopi Long Range Rehabilitation Act of 1950. These authorizations, combined with tribal funds, form the backbone of the present "revolving credit program" of the Bureau.

For the purpose of obtaining financing under our program, a cooperative association of Indians must be organized pursuant to the laws of the state in which it operates. Further, the articles of association and bylaws must have been approved by the council or other governing body of the tribe and by the Area Director of the BIA. The constitutions of most organized tribes contain a provision somewhat as follows relative to the powers of the governing body:

"To charter subordinate organizations for economic purposes and to regulate the activities of all cooperative associations of members of the tribe."

Thus, such provisions must be taken into consideration in organizing Indian cooperatives regardless of whether the association is seeking financing under the Bureau's credit program.

Since the beginning of the revolving credit program 30 years ago, over \$6 million has been loaned to Indian cooperatives. As of June 30, 1965, there was nearly \$3 million outstanding in such loans. It should not be overlooked that, in addition to this Bureau credit, Indian cooperatives have received financing also from commercial and other Governmental lenders.

At present our records list 78 active Indian cooperatives. They have a total net worth of \$3.5 million. By far the most predominant type is the livestock association. There are 48 such associations. Next in frequency are the 11 arts and crafts associations followed by the 7 Indian credit associations. The other associations cover such purposes as merchandise stores, farm improvement, soil conservation, community water and sewer systems, wool marketing, fish marketing, and (most interestingly) rodeo contests.

Generally speaking, the Indian cooperatives have been quite successful and have made a very significant contribution to the welfare of their members and of the community. For example, there are the Qualla Arts and Crafts Cooperative Association in Cherokee, N.C., and the Alaska Native Industries Cooperative Association. I have asked my associate, Ronald J. McLean, who has worked in Alaska, to tell you about the latter organization.

ALASKAN NATIVE INDUSTRIES COOPERATIVE ASSOCIATION

**by Ronald J. McLean
Branch of Credit and Financing
Bureau of Indian Affairs
U.S. Department of the Interior**

The Alaska Native Industries Cooperative Association, ANICA, acts as a purchasing organization for members and patrons. The Association abides by all the cooperative principles.

The remote and widely scattered settlements of Indians in Alaska pose difficult problems. Many of the small villages are located along lakes and rivers that are sometimes navigable only a few weeks out of the year. The villagers need to buy some of the bare necessities and they need to dispose of the products they produce--furs, ivory, and moccasins.

Before 1947 Interior did most of the purchasing and handled money for these groups. Then, in that year, 55 villages banded together and formed ANICA.

Operation of ANICA began in 1948 with a board of directors made up of one member each from 25 villages. They hired a manager and opened an office in Seattle. Shipping was accomplished by means of the Department of Interior ship North Star. This vessel makes two trips annually to the far north and into the Arctic Ocean. A village is served once a year.

ANICA borrowed money to get started but was able to repay its loan in full by 1952. The Bureau made additional loans to stores or villages and the repayment record has been nearly perfect. Today the village stores and cooperative have a net worth of nearly \$15 million. They have made excellent progress. In 1947 shipments, including freight, amounted to about \$600,000 for 41 stores. Last year's shipments were \$1.9 million to 47 stores.

FISHERY COOPERATIVES - PARTNERS IN AMERICAN LIFE

by L. D. McMullin

Branch of Foreign Trade and Economic Services

Bureau of Commercial Fisheries,

U.S. Department of the Interior

Fishery cooperatives make several important contributions to the economic welfare of each American community in which they are located. These organizations exist to meet the wide variety of economic and social needs of the fishing communities they serve. Cooperatives are the modern version of the old tradition of neighbors working together to help themselves and each other.

There are about 100 fishery cooperatives in the United States located in 17 States. The largest concentration occurs on the Pacific Coast. There are 60 fishery cooperatives with a total membership of over 8,000 in this area. Alaska with 27 cooperatives is in the lead. California has 17 and Washington 14.

Fishery cooperatives operate in all important segments of the domestic industry including the lobster, groundfish, scallops, shrimp, oyster, clam, tuna, halibut, crab, and salmon fisheries.

Of the 128,000 fishermen in the United States, less than 10 percent are members of fishery cooperatives. These members, however, annually produce over 20 percent, by dollar value, of the U.S. total landings of fish and shellfish.

Many more fishing areas exist where new cooperatives can be developed to provide efficient marketing and purchasing services for member fishermen.

Most of the fishery cooperatives perform both a marketing and purchasing function. In marketing, the cooperative may actually take the fishermen's catch and handle or process it, or it may act only as bargaining agent.

Bargaining cooperatives are usually found where practically all fish caught are canned, as in the tuna, salmon, and pilchard fisheries. A special committee is appointed in such a cooperative to meet with individual canning firms to negotiate the terms of sale and price at which fish will be delivered during the packing season.

Once an agreement has been made, the fishermen deliver their catch directly to those canners who accepted the negotiated price. Payment for each catch delivered may be made in several ways. It may be made directly to the fishermen at the time of delivery or it may be made through the cooperative, but, in either case, deductions to meet the operating expenses of the cooperative are made before the fishermen are paid. All deductions for expenses, however, are first authorized by member fishermen before being withheld.

Marketing cooperatives in the United States provide services other than selling alone. Many own facilities and provide the services of unloading fish, cleaning and packing, filleting, quick freezing, and cold storage of fish and shellfish products. In addition, they provide services such as recordkeeping, making ice, manufacturing fish packing boxes, supplying market and price information, and transporting products to market.

Buying marine gear and supplies for members is performed to some extent by most fishery cooperatives. This ranges all the way from simply obtaining discounts for members from dealers to providing a full stock of supplies through a cooperative store.

The need to reduce cost of production prompts fishermen to organize purchasing cooperatives. They save money by combining the needs of members and buying in large quantities. This helps the fishermen to reduce their production cost and place themselves in a more favorable competitive position.

Our fishery cooperatives have been among the leaders in improving the quality of fish delivered to the consumer. This has been accomplished by willingness of the members to accept new and improved methods for catching and preserving fish on extended fishing trips. They have installed new handling equipment for unloading the catches quickly and efficiently. Cooperatives have built better docks, constructed ice plants, and bought insulated trucks for transporting fish to market. They have extended their operations into processing, quick freezing, cold storage plants, canning, retail marketing, and many other areas. Fishery cooperatives frequently set their own inspection and grading standards, and have thus established a reputation in the trade for high quality fishery products.

For example, the Point Judith Fishermen's Cooperative Association, Incorporated, Galilee, R. I., has established such a reputation for quality, that about 60 percent of the total output is sold fresh in Eastern markets. Most of the forty plus vessels fish in the daytime, but the catch can be landed anytime, day or night, when the vessel arrives at the cooperative. The fish are immediately packed in ice and then delivered to Eastern markets the following day via the cooperative's own insulated trucks.

The Twin City Fishermen's Cooperative, Morgan City, La., and Port Isabel, Tex., move members' shrimp catch directly from the vessels into plant for cleaning, grading, packaging, glazing, blast freezing and storage. Top quality is maintained by the fisher-

men and the cooperative. The cooperative markets its catch under its own labels--Texas Brand and Louisiana Brand in 2 and 5 pound institutional packs.

Organizations doing business as cooperatives are required to comply with the Fishery Cooperative Marketing Act. This Act is almost identical to the Capper-Volstead Act for farmer cooperatives. Under the Fishery Cooperative Marketing Act, cooperatives must conform to certain requirements. First, no member of the cooperative is allowed more than one vote, regardless of the number of shares of stock he holds or the amount of his membership capital. The cooperative may not pay dividends in excess of 8 percent per year on stock or membership capital. They may comply with either of these two requirements, but are not required to comply with both. Second, the cooperative may not handle the products of non-members in an amount greater in value than that handled for members.

Further, the Fishery Cooperative Marketing Act gives the Secretary of the Interior power to issue cease and desist orders against any cooperative believed to be engaged in activities that monopolize or restrain trade in Interstate or Foreign Commerce to such an extent that prices of adequate products are unduly enhanced.

The success of the fishery cooperative movement is due almost entirely to enterprising commercial fishermen. However, the Federal Government does give technical advice and assistance in helping fishermen organize cooperatives and in solving a wide variety of operational problems. Although the Federal and State Governments take a favorable attitude towards fishery cooperatives, few programs are offered specifically to encourage them. Much more is done, for example, to encourage and assist agricultural cooperatives.

Fishery cooperatives have come a long way since the early 1940's, when most of them were organized. However, if they are to continue to grow and expand, they will need credit facilities. At the present time fishery cooperatives do not have a reliable source of credit.

During this Congress a bill, H.R. 8922, was introduced to provide credit facilities for fishery cooperatives similar to those provided for farmer cooperatives through the banks for cooperatives. The new credit facilities, if established, would set up a \$10 million revolving fund. The establishment of such credit facilities would go a long way towards solving the major problems that confront the fishery cooperative associations of today.

In spite of limited credit facilities, current lack of interest among fishermen, limited support from Federal and local governments, and other problems, the future for fishery cooperatives is bright. In addition to increasing the number of such organizations and recruiting more members, the cooperatives themselves can expand their services to members by engaging in more processing and marketing activities. It is quite possible that cooperation will exist between organizations in this country and similar ones in other countries. It is quite conceivable that in the future our fishery cooperative associations will move into the international field, exporting and importing fishery products.

DISTRIBUTION OF CAPITAL GAINS: A PROBLEM AND A SOLUTION

RESUME OF REMARKS

**by Walter Stolting
Division of Economics
Bureau of Commercial Fisheries
U.S. Department of the Interior**

A fishery cooperative in New Jersey bought property that nearly doubled in value over a 12-year period. State law did not permit the association to issue Class B capital stock for the purpose of distributing capital gains.

The solution was a contract that each member could sign, permitting periodic appraisal of the cooperative's property and corresponding adjustment of capital (including surplus) accounts. In the event of withdrawal, stock would be valued on the basis of the current appraisal.

FEDERAL POWER SUPPLY AND RURAL ELECTRIC COOPERATIVES

**by M. A. Chase
General Engineer
Water and Power Development
U.S. Department of the Interior**

The program of marketing power by the Department of the Interior and the financing of rural electric cooperatives by Rural Electrification Administration (REA), USDA, are examples of the reinforcement of the programs of two Federal agencies for mutual benefit.

As part of a multi-purpose Federal river basin program, dams are constructed by Corps of Engineers and the Bureau of Reclamation to provide flood control, navigation, irrigation and recreation, and produce electric power.

The Department of the Interior, through its four power marketing agencies--Bureau of Reclamation, Bonneville Power Administration, Southwestern Power Administration, and Southeastern Power Administration--is responsible for the sale of power generated in these dams. Because Government funds and national resources are involved, various Congressional acts provide that the Department of the Interior give preference in the sale of the power from these dams to non-profit groups, including cooperatives.

The REA program was founded on the basis that it was a Federal responsibility to assist rural areas in obtaining the benefits of central station electric power. To bring electric service to scattered rural areas, it is necessary to construct large numbers of electric distribution systems. Such distribution systems are comparatively small, and in most cases, it is not economical to construct generating plants to serve them. Thus an important factor in providing central station power service to rural areas is the availability of low-cost wholesale power delivered to the load centers at transmission voltage.

Both in timing and in geographical distribution, these programs of the Departments of the Interior and of Agriculture have coincided rather well.

A particularly good example of this is in the Missouri River Basin. After World War II, there was tremendous pressure from the rural areas to obtain central station service even though the farms there were in many cases less than one to the mile. In order to find such distribution systems feasible, low-cost wholesale power was a prerequisite. With the development of the Missouri River Basin by the construction of dams, such low-cost power became available. It was also possible for the Federal Government to construct a large transmission system to effect necessary deliveries.

In a comparatively short period of time, all of the anticipated available Federal power found a market and it was necessary for the cooperatives to provide for their increasing needs. An arrangement was worked out that made available to them surplus transmission capacity in the Federal system. This permitted the cooperatives to combine their needs and construct a single large, economical generating plant and locate the plant so that it could utilize the low-cost lignite fuel of North Dakota.

The Federal Government, through its river basin development program, has played a significant role in the success of the REA cooperative program. Of the total wholesale power supply for the more than 1,000 rural electric cooperatives serving over 5 million consumers, almost 40 percent is supplied by agencies of the Federal Government.

Twenty-one flags in the Pan American Union Building symbolized the unity of purpose of these panelists who discussed Financing Cooperatives in Developing Countries. They are, left to right, Governor Robert B. Tootell, Farm Credit Administration, moderator; keynote speaker J. Douglas Lawrence, retired President, Columbia (S. C.) Bank for Cooperatives; Dorothy H. Jacobson, Assistant Secretary of Agriculture for International Affairs; Robert L. Farrington, Inter-American Cooperative Bank Development Program; Kenneth Scott, Inter-American Development Bank; Fernando Chaves, Pan American Union; Don E. Kramer, The Cooperative League of the USA; Herbert C. Fledderjohn, International Cooperative Development Association; Karl A. Lundberg, American Institute for Free Labor Development; and Albert W. Marble, Agency for International Development.



Seminar VIII - Financing Cooperatives in Developing Countries

CHAIRMAN -- J. T. HOUK, Deputy Administrator, Inter-American Cooperative Development Program

MODERATOR: R. B. TOOTELL, Governor, Farm Credit Administration

NEED FOR BANKS FOR COOPERATIVES

**by J. Douglas Lawrence
Former Cooperative Bank Commissioner and
Retired President of the Columbia, S. C. Bank for Cooperatives**

Cooperative financing is a powerful tool for bringing about social and economic justice, raising the hopes of the people, and for effectively combatting communism in developing countries throughout the world. Cooperatives must have capital, and the best way--and generally the only way--is for them to get it through their own cooperative financing institutions.

The need for developing efficient cooperatives in both urban and rural areas in these growing countries is great and urgent. This is recognized by the leaders both in these countries and in the United States. This is recognized by all who know the possibilities of cooperatives and who come close enough to the grass roots to see what is really going on.

Example of Need

In Ecuador, I visited a hacienda that produced bananas, coffee, and cacao. This hacienda was then in the process of being organized by its farmer laborers into a cooperative. The hacienda had encountered difficulties due to communist activities among the farmer laborers. The 60 workers were induced to join the Communist Party, but only fifteen were really communists. The other 45 were just hungry. With the prospects of a cooperative, all but the 15 "professionals" rejected the communists.

The hacienda had previously been owned and operated by a European. He borrowed 1.5 million sucres from a Guayaquil bank to install an irrigation system, buy machinery, and make other improvements. When he obtained the money, he left for his home country and never returned. The cooperative was then organized to acquire and operate the property. The bank that made the loan was willing to sell the property on easy terms

but was unwilling to put more money into the project. It was a good economic unit, in good condition, and with a good market for its products. I was told by the manager of a nearby American-owned hacienda that this property could be operated profitably, given good labor conditions. As a cooperative, the economic and social status of its member laborers would be greatly improved. From an analysis of the income possibilities, these members would graduate from a state of poverty to one of comfort and self-respect. No more than \$50,000 would have been necessary to get this project underway and make that dream a reality. But--this US \$50,000 was not available.

Examples of Cooperative Action

In the Dominican Republic, I visited a cooperative shoe factory set up in a ramshackle hut with 46 worker members working like bees. They were turning out a good product for which there was a good market. They only had two machines--one for sewing the tops together and the other for sewing on the soles. The speed with which these people worked amazed me. The tempo, undoubtedly, would have been much less if they had been working for wages. I examined their records, which, incidentally, were all very good. I learned that, although they were making money, they did not have enough capital. The manager told me that if they could borrow \$15,000, they would double the size of the plant and their membership. Forty-six more families might have graduated from misery into comfort and self-respect. But--the US \$15,000 simply was not available.

In Río de Janeiro, there is a cooperative that operates a market for the handling and selling of the products of its farmer members. The membership of the cooperative covers a wide area from Bahia to Rio Grande do Sul. There is much wastage in getting the produce from the farms to the market, and after it reaches the market, due to poor transportation facilities and no refrigeration. The cooperative is starved for capital. The manager, a very sincere and dedicated man, said his monthly salary was 1,500 cruzeiros, then about \$2.25 in United States dollars. He said he lived on a small army pension. He was ragged, but clean.

The following Sunday, this gentleman called me at the hotel. He was pleading for a loan to buy three trucks. Due to poor transportation facilities, the cooperative must arbitrarily reduce by 40 percent the weight of all produce received to protect itself. These trucks would reduce this wastage. In his desperation, he was grabbing at straws.

I could go on with case after case like these throughout Latin America where small amounts of capital properly applied and capably administered would mean the difference on the part of the cooperatives between mediocrity, inadequacy, ineffectiveness, failure, and, on the other hand, success and effectiveness.

I am convinced that the lack or total absence of capital is the difference. These people in Latin America know how to operate businesses; they are good businessmen; and where they have found capital in one way or another, they are doing creditable jobs in operating their cooperatives. They even compare favorably with their counterparts in the United States. I visited an efficient and effective cooperative in Argentina which provides a livelihood for 50,000 people. It has capitalized itself adequately from within by the proceeds of the sales of its members' products.

There is another very successful cooperative project in Colombia--a coffee growers' association that exemplifies the power of a cooperative as a tool of economic and social improvement in a community. The membership of this cooperative consists of 1,200 coffee growers and 1,500 laborers. The latter use only the social services of the cooperative. The cooperative provides a wide variety of services for its members: Marketing, procurement and distribution of production supplies and consumer goods; production credit; mechanical services; horticultural and other farm technical services; life insurance; medical; dental; and nursing services. Furthermore, it has established 15 schools where there were none before. It is now beginning a housing program for small houses costing about US \$1,000 each.

This cooperative has demonstrated that it is possible and practicable to fill a vacuum with a successful combination of sound business operation and needed social services. It has succeeded where the government had failed, and at no cost to the taxpayers. We were told that by admitting the laborers to membership for use of the social services, they are much less susceptible to communist propaganda and organizational efforts in this area where the Communist Party is very active.

We were told time and time again by many people, including the President of Colombia, that cooperatives could save South America from Communism.

The Financing Activities

The first step in building a productive cooperative program on the beginning that has already been made in the developing countries is to establish a system of cooperative financing institutions. This fact has been recognized for some years and considerable effort has been made in this direction. Unfortunately, however, only meager positive results have been achieved.

In Latin America a measure of success was visible over the horizon at the turn of the year, but has faded considerably since. A cooperative bank had opened its doors in Ecuador. Needed improvements were being made under capable direction by the previously established bank in Uruguay. The Banco Cooperativo Agrario Argentino (Argentine Agrarian Cooperative Bank) was completing its long hard efforts to establish itself. Satisfactory and encouraging progress was achieved in organizing banks in Chile, Colombia, and the Dominican Republic. Strong interest was developing in other countries.

Now the picture has changed. The Ecuadorean bank is not increasing its volume of loans as it should. The Uruguayan bank has closed its doors. The Chile bank is in the hands of people not cooperating as they should. Colombia is bogged down in a kaleidoscopic display of differences of opinion and conflicts of interests. The Dominican Republic project has been dispersed by the revolution. Considerable progress had been made earlier in Peru, but has now been stopped cold by local conflicts.

Most of this has occurred in an ostensibly favorable climate. The need for a visible cooperative system is urgent and authoritatively recognized. The people are enthusiastically and hopefully responsive. They are capable of assuming the responsibilities

and performing the functions of cooperative membership and management. The desire to help constructively on the part of the United States cooperative leaders and some government officials invokes a stimulating sense of challenge and progressive spirit of helpfulness which is great and effective. In the local countries, government officials, bankers, businessmen, and church men are generally sympathetic and helpful. The United States has included the establishment of cooperative banks in developing countries as a part of its Foreign Aid Program, and highly important, the necessary capital is available.

Obstacles to Progress

The stage is set, the actors ready, and the house full; but, unfortunately, the show cannot get underway. Here are some of the reasons:

1. Lack of general coordination on the part of the authoritative participants in the program.
2. Unsound policy of attempting to establish cooperative banks to stand alone without a system of financing, supervision and support.
3. Lack of dedicated objectivity on the part of some local leaders.
4. Unsettled conditions in the countries such as unstable governments, runaway inflation, and very high currency exchange risks.

Let us consider one or two of these obstacles. First, let's look at the lack of coordination on the part of directing participants. Why can not the Government conduct a business program in a business-like manner? One answer is that the Government programs are not subjects of King Profit. Without the profit motive, the Government has no effective way of measuring the efficiency and productivity of its personnel. In an effort to offset this disadvantage, there have been adopted rules and regulations, with good intentions, but which really aggravate rather than improve the situation. Tangible results are scarce in many Government programs. The cooperative bank development program is compelled to operate under Government rules and regulations rather than conventional business procedure. There are too many authoritative viewpoints to be reconciled and too many loosely-coordinated departments having authority over a single program. When I was working with the program, I became bewildered in trying to find out what department has the final authority. I discovered, in fact, that the department handling the money has the final authority.

The next is the policy to establish the banks one by one and later--if they survive--to combine them into a system with a central coordinating bank. I think this procedure needs to be reversed. In the beginning, there should be a central bank with ample capital to operate in the conventional business manner. This central bank would help organize, finance and coordinate the national banks. This was the finding of the original feasibility study for Latin America, and subsequent events have proven its soundness. In this way, the program could perform in a business-like manner.

Money is a powerful tool. There is nothing like it when used wisely within its limitations. If there were a central bank serving as an important source of funds for the country banks, the influence of the program would be much greater than it is now as a dispenser of free advice only.

A serious handicap in operating financial institutions in developing countries is the currency exchange risk arising from inflation. Obviously without reliable safeguards, one cannot safely lend dollars in a country the currency of which is losing value rapidly in proportion to the dollar. These safeguards, generally, are not easy to provide, but it can be done. The methods will vary among countries, localities within countries, balance of payment positions of the countries, commodities, national laws, attitudes of the respective governments, etc. Much time could well be devoted to this subject.

THE SOCIAL-ECONOMIC CONDITIONS IN LATIN AMERICA

by Fernando Chaves, Chief

Cooperative Section

Social Affairs Department, Pan American Union

Necessarily my remarks on the cooperative movement will be related to Latin America, and especially to agricultural cooperatives. I would like to stress the fact that economic enterprises in any country are a reflection of its historic background and political, social and economic structure. This is also true of cooperatives.

To reach a more realistic perspective of the different problems in developing cooperatives in each country, we must first analyze each country's history.

The culture of Latin America is basically a humanistic one. This type of culture is not, in certain instances, conducive to social and economic programs. In some countries of Latin America the social structure is not conducive to the participation of the masses or of the cooperative movement.

Among the socio-economic factors governing Latin American life, let us consider the following:

Problem of Education: Until recently, more than 40 percent of the people having attained 50 years or more were illiterate. This percentage is much higher in the rural areas.

In 1950, only three percent of the young people between the ages of 20 and 24 were enrolled in universities.

Problem of Population Explosion: The population of Latin America is mainly rural and is growing at the fastest rate in the world. In Costa Rica alone, the rate is approximately four percent annually. This imposes tremendous problems due to the fact that some of our economies are growing at a slightly higher rate, and little is left of savings for financing social and economic development.

Problem of Land Tenure System: Cooperatives--especially agricultural cooperatives--face serious obstacles in the land tenure system in Latin America. In several Latin American countries there is a large concentration of land in the hands of a few. In some countries, there is a one-crop economy. Generally, agricultural productivity is very low. In 1959, the contribution to the gross national product was 22 percent despite the fact that 60 percent of the exports in Latin America came from the agricultural sector.

Problem of Concentration of Wealth: During 1957-61, the average annual economic growth of Latin America was 3.8 percent, leaving very little for savings. The income per capita is extremely low, with a few countries having less than \$100 per capita average annual income. Much of the wealth is concentrated in the hands of a few.

Problem of Inflation: Using 1958 as a base year, inflation in Argentina and Brazil has increased by 595 percent and 1,310 percent, respectively. Other countries are experiencing some degree of inflation.

Problem of Foreign Element: Cooperatives are still a foreign institution in Latin America, not a tradition of the culture, thus difficult to promote.

Problem of Inadequate Legislation: Several countries have no special laws on cooperatives and in others, this legislation is inadequate for promoting these institutions. To form a cooperative may require changes in the national laws.

Problem of Weak Share Capital Structure: The cooperative principle of one share per member is legally sound but financially unsound in Latin America, due to the small membership of cooperatives. The cooperative, as a rule, is very small. In rural populations, there is a weak share capital structure, especially in countries where inflation still prevails.

Problem of Lack of Training: Cooperatives are seriously affected by the lack of training on both staff and management levels. This is one of the greatest opportunities for the Agency for International Development (AID) to assist Latin American cooperatives. There is need for capital, but at the same time, there is need to devise, on an international level, new methods to strengthen the agricultural and financial structures of the cooperative movement. An extensive training program would be a step in the right direction.

THE INTER-AMERICAN DEVELOPMENT BANK PROGRAM

**by Kenneth L. Scott, Agricultural Specialist
Inter-American Development Bank**

The Inter-American Development Bank (IDB) is a relatively new bank. It was established in 1960 by 19 countries--all the countries of this hemisphere with the exception of Cuba. The main purpose of this bank is to assist in the economic development of its member countries, both individually and collectively. To do this, three separate funds were established.

Ordinary Capital Fund: The Ordinary Capital Fund consists of funds to finance recognized international lending of "first class" loans. In order to obtain financing from this source, an institution must have good management, good financial structure, good income, and ability to repay within five to six years. This fund is capitalized by the purchase of subscriptions by the member countries, including the United States. Financial assistance to any member country is not proportioned to the amount of subscriptions purchased by that country.

Special Capital Fund: This fund is also capitalized by the purchase of subscriptions by the 19 member countries. The Special Fund functions as the "soft window" of the bank, by making loans to enterprises which have the ability to achieve full repayment but which require longer maturities, lower interest rates and easier terms.

At present, member countries have paid in to these two funds US \$900 million in cash and have subscribed about US \$1.6 billion of additional capital to be used to back up bond issues sold. The sale of bond issues constitutes a very important source of loanable funds.

Social Progress Trust Fund: At the beginning of the Alliance for Progress Program, the U.S. Government entered into an agreement called the "Trust Agreement", specifying conditions under which the Inter-American Development Bank should administer the US \$525 million in this field.

The purpose of the Social Progress Trust Fund is to render social assistance, which is divided into four categories:

Community Water Supply and Sanitation Facilities

Housing for Low-Income Groups

Land Settlement and Improved Land Use (this includes agriculture, colonization, credit and marketing)

Higher Education and Advanced Training (this includes financing expansion of some of the colleges in growing countries)

The present capital of the Inter-American Development Bank consists of US \$2.5 billion in subscribed capital, of which US \$900 million has been paid in, leaving US \$1.6 billion as callable capital; US \$25 million in commercial bank participation in early maturities; US \$175 million in bond issues; US \$47.5 million in loan agreements with countries outside of the Western Hemisphere; and US \$525 million in the Social Progress Trust Fund. Of the US \$1.6 billion in reserve, US \$1.3 billion is in loan commitments.

Early maturities of our loans are purchased by commercial banks, depending upon their interest in the particular country and their judgment as to how well the country will carry out the amortization of the loan. The Inter-American Development Bank does not guarantee any loans.

The Inter-American Development Bank has received funds from Italy, Germany, and Great Britain and has signed loan agreements with Canada, Spain and the Netherlands. These agreements provide that the Bank will select projects considered worthy of financing of its own funds and will inquire of the country furnishing funds if it agrees that such a project will be a good use of such funds. These loan agreements are contingent upon purchase by the country receiving funds of foreign supplies from the country providing the funds.

In the smaller countries, the loans naturally tend to be smaller, ranging from US \$500,000 to US \$1 million in some and about US \$2 million in certain others.

Another type of financing comes from the Global Loan. Under this fund, financing is provided to development and government institutions to be channeled to agriculture and industry where the assistance needed is less than the minimum amount loaned by the Bank. The purpose is not to restore credit to institutions requiring a lesser size loan than can be made directly by IDB, but to help these institutions.

Technical assistance is very important. It is considered necessary to supervise the institution administering the program financed by IDB loan funds. US \$35 million in technical assistance has been lent for pre-investment purposes.

As of last June, 34 loans for approximately US \$160 million have been approved, 15 of which were granted to housing cooperatives in the amount of US \$84,735,000 and 19 to agriculture in the amount of US \$75 million. A few of the agricultural loans are to finance cooperatives. In our agricultural lending, there is a general development program of which cooperativism is only one of the many uses for funds designated to this field.

Twenty-three additional loans in the amount of US \$23 million are in the process of being approved.

To obtain financing from the Inter-American Development Bank, a cooperative must have a real purpose for operation, good management, trained personnel, and substantial contribution by the government or another sponsor.

It is the policy of the Inter-American Development Bank not to refinance, but to stimulate the development and accumulation of capital. For each United States dollar loaned, there are approximately \$3 local resources put into the operation.

OPERATIONS OF THE INTER-AMERICAN COOPERATIVE BANK DEVELOPMENT PROGRAM

**by Robert L. Farrington, Administrator
Inter-American Cooperative Bank Development Program**

If cooperatives are to utilize their full potential in helping people get fair prices for the things they sell, save money on the things they buy, and get basic quality in the things they produce, they must have adequate financing, adapted to the needs of the cooperatives.

What we are trying to do in our part of the Inter-American Cooperative Bank Development Program is to help our Latin American friends build their own cooperative banks so that they may obtain the full benefits of working together cooperatively.

Preliminary action has also been taken to establish a Central Bank to help finance this cooperative banking system. At present, however, capital for these banks may come from AID, from the cooperative movement in the host country, and from, say, a 2 percent addition to the interest costs on loans and dividends on stock.

At a conference held in Washington, D.C., June 29 through July 2 of this year, the incorporation of the Inter-American Cooperative Finance Development Association, Inc. was approved as a Delaware corporation. This is a technical assistance corporation, without financing authority.

Our program is one of several Latin American projects sponsored by The Cooperative League of the USA. The program is financed pursuant to the Humphrey Amendment to the Foreign Assistance Act of 1961, and it is administered with the assistance of the Agency for International Development, U.S. Department of State, Washington, D.C., and the U.S. AID Missions in Latin America.

Our part of the program actually got under way early in August, 1964, with the employment of J. Douglas Lawrence of Columbia, South Carolina, as the first Administrator. Prior to that time, Mr. Lawrence had assisted in exhaustive studies on this proposed program. He brought a wealth of cooperative banking experience to the program. He had helped build the Cooperative Banking System of the United States and had made many contributions in the field of sound and constructive cooperative financing. We are also using as consultants and advisors in our program individuals with many years of experience in cooperative finance.

Cooperative banks are open for business in Ecuador and Argentina. We especially congratulate our friends in Argentina because they were able to capitalize the bank from their own advanced resources.

Conditions in Latin America beyond our control have slowed us down somewhat in setting up new banks; but at the present time, we see possibilities for strong and helpful institutions in Bolivia, Brazil, the Dominican Republic and Peru. Panama also needs some credit facilities, and we hope to make studies there before long.

A bank for cooperatives is now in the process of operation in Colombia.

A bank for Chile has been authorized and has commenced operations.

In the Dominican Republic, our technicians were necessarily withdrawn until the situation down there becomes appropriate for them to return.

A background study for a cooperative bank in Peru was made in September of 1963. The study indicated that the cooperative movement in Peru could support a good bank, and also that more cooperatives were greatly needed. Due to the inability of the movement to join together in a common approach, the study has remained on the shelf.

We are ready to send a team to Peru to help resolve the differences and to organize the bank when the various viewpoints can be reconciled, and when we receive a request from the AID Mission.

The language question has been a problem for us, due to the difficulty in finding personnel familiar with the organization of banks for cooperatives who also have a good knowledge of Spanish. We have, however, recently added several Spanish-speaking consultants to our roster of experienced cooperative bank advisors, and believe that we are in a position to give good service on future requests for organizational help.

Although we believe a good start has been made toward building a sound cooperative movement in Latin America, we are, of course, by no means satisfied.

INTERNATIONAL PROGRAM OF U.S. DEPARTMENT OF AGRICULTURE

by Dorothy Jacobson
Assistant Secretary of Agriculture
for International Affairs

The United States Department of Agriculture is officially charged by law to encourage cooperatives within the United States. Although the USDA is not charged with financing cooperatives abroad, it is deeply interested.

This special interest of the Department to assist cooperatives is attributed to several important factors. First, it is recognized how much the future of our agriculture as well as that of our whole country depends upon economic development abroad, especially within this hemisphere. Economic development in the lesser developed countries depends to a great extent on the development of their rural sector and agriculture in order that humanity may win the race between population and food supply.

Farmers provide the chief basis as customers for the developing industries that these countries hope to build. Cooperatives may have unique contributions to make to agriculture and rural development in these regions. To the extent that we have the resources, talent, legal authority and commodities, we are eager to find solutions to the problem of financing development in other nations of the world.

We have three opportunities open to us:

1. The Department of Agriculture is called upon to contribute to technical assistance in development, finance, and in the directing of loans in cooperative and rural credit. It has set up a new agency to mobilize the talent and know-how scattered in 10 to 15 different agencies through the International Agricultural Development Service (IADS). This talent will be channeled through AID to provide assistance needed. Teams of agricultural experts are sent to small regions. Almost invariably these teams include someone with expert knowledge of cooperative development. Recently a team of five cooperative experts was sent to Brazil; one was concerned with cooperative financing.

2. USDA generates currencies available for loans known as Cooley loans. Why have not cooperatives taken more advantage of possibilities of credit through this source?

3. USDA generates credit for cooperatives through Title IV of P.L. 480. Title I provides for sales in currency for our food stuffs. Title IV, in force for more than two years, provides for the sale of our food commodities for dollars under generous terms, and usually very low interest rates. Title IV sales of our surplus commodities can be made either to government or to private institutions. PTE's (Private Trade Entities) can purchase, under long-term credit, commodities from the Commodity Credit Corporation and utilize the money generated from the sales of these commodities for long periods.

There have been three Title IV agreements with PTE's. Two were in the nature of cooperatives.

One Title IV loan agreement was made with the Spanish Cooperative for the Commercialization of Farm Products (COES). US \$35 million in commodities will be shipped under long-term credit to COES, as this cooperative is called in Spain. COES is a very young cooperative--less than four years old.

The purpose of this financing is to introduce to the farmers a new, better and expanded livestock production industry and to provide locally to its members new and improved facilities needed in this industry. This is only made possible by the easy long-term credit available. There should be comparable opportunities in other countries for this type of agreement.

In the World Food Program, credit is provided by means of food. In carrying out a project, commodities are used to improve nutritional level and general economy of rural populations by encouraging the farmers to raise poultry and other products in spare time. In Colombia, for example, corn was given to coffee cooperatives to encourage the farmers to raise poultry, rabbits and pigs.

These three ways present to private business--including cooperatives--an excellent opportunity to use their imagination and initiative to really provide assistance to the lesser developed countries of the world at very little risk.

OBJECTIVES OF INTERNATIONAL COOPERATIVE DEVELOPMENT ASSOCIATION

**by H. C. Fledderjohn
President**

International Cooperative Development Association

The International Cooperative Development Association, (ICDA) has been set up by a highly diversified group of cooperatives in the United States, including The Cooperative League of the USA. The Association contacts all the leading cooperatives of the country. The principal activity is to use these contacts in locating skilled manpower and material resources available in American cooperatives to go overseas to assist their counterparts. The principal users of the Association's services are the AID Missions and other cooperative contractors.

By investing know-how, capital, and experience in the cooperative organizations in the developing countries, we can speed up the development process. If cooperatives are going to contribute to the growth of these countries, there is no time to gradually accumulate savings and experience to make them useful in the economy. We have to "hurry up" the process. We are working against time.

In the context of today's discussion, the most important thing is what we have not done yet. There is a heavy demand for aid--both managerial and financial. But both demands have problems.

Private enterprise usually invests in large institutions overseas. The small businesses simply can not make it either desirable or practicable for a U.S. business organization to provide managerial experience and skilled personnel because the cost of doing

so is more than these enterprises can carry. This is one of the problems found at ICDA. A tapioca plant in Indonesia, for example, cannot afford to bring in an experienced skilled U.S. cooperative expert and take out of its meager income the money to pay for his salary.

People who organize cooperatives are people of limited means. Here in the United States, we started with very simple programs, taking a long period to develop them into important factors in the economy.

Foreign resources are available for cooperatives in terms of money. However, almost no financial resources are available for enterprises with no equity. Today, we have seen how finances are provided from other sources. But in many cases, there are no resources available from which seed equity capital may be forthcoming.

People who are members of cooperatives in developing countries are not in a position to provide seed capital--not even up to 40 percent--to finance their organizations. Due to this lack of equity, there are no loan funds available for these cooperatives because they are considered to be unsound ventures. It is, nevertheless, the unsound venture which needs our help--not the sound one. Some of the most dramatic cooperative development has resulted from the provision of capital on an "unsound" basis. The rural electrification cooperatives in the United States, for example, borrowed 100 percent of their money, backed only by good management and careful supervision. Now these cooperatives are self-supporting and many are debt free.

In a nutshell, the most pressing problem is plenty of demand for help, but little equity capital and inadequate incentive to finance the high cost of skilled and experienced management necessary for the development of these cooperatives.

PROGRAM OF AMERICAN INSTITUTE FOR FREE LABOR DEVELOPMENT

**by Karl Lundberg
Agricultural Advisor**

American Institute for Free Labor Development

The American Institute for Free Labor Development (AIFLD) was set up by AFL-CIO to give technical and financial assistance to democratic labor unions of Latin America, both urban and agrarian. Without steady enduring growth of such labor organizations, capable of exercising influence in their respective societies, progress toward a better life is unlikely.

One of the most important devices in AIFLD's program for enhancing the growth of unions aside from labor federations is the cooperative. Today, union-based, AIFLD-sponsored, housing cooperatives exist in 14 Latin American countries involving outside financing of approximately US \$75 million for more than 20,000 units.

Outside financing for these projects comes chiefly from AFL-CIO Trust Funds, the Inter-American Development Bank, and local currency (Brazil) generated by agricultural shipments. However, the latter is a very limited source.

These projects have received some direct financing from the Agency for International Development (AID), as well as important indirect assistance in guaranteeing payment of loans.

Other than labor education, the AIFLD agrarian union development program has two main parts:

1. One is the development of campesino service centers (CSC's) for agrarian union groups. These campesino service centers are planned to be a focal point for the development of cooperatives as well as other union activities. The CSC is a place where social, hygienic, and educational services are provided to the campesinos.

Campesinos are a class of people long exploited and very skeptical of plans and promises. Visible structures and solid benefit for cooperatives will demonstrate the advantage of union membership.

The CSC's are financed by grant funds. There is no income from the operation of a CSC with which to reimburse any lending agency for construction costs. The unions themselves must maintain these centers.

2. The second main part of the agrarian unions development program is the development of cooperatives based upon the unions who are serviced and housed in the Campesino Service Centers. The cooperatives would be primarily agricultural such as supply cooperatives, production loan cooperatives, and marketing cooperatives. There would also likely be credit unions and consumer cooperatives. The cooperatives thus formed can use the CSC both as a point of stimulation and as a center of administration. In Northeast Brazil, CSC's are in operation and new ones are about to be constructed. Excellent assistance has been rendered by CUNA International, Madison, Wisc., and AID.

Agricultural cooperative financing must take into account that a considerable period may elapse before the cooperatives can become self-supporting. It is a shame to see a cooperative, and all the hard work behind it, go down the drain due to the lack of substantial funding.

It is not enough to put a cooperative on its feet. We must see that it stays on its feet. More attention must be paid to the problem of subsidies to cover costs of administration in the early period.

The relationship between unions and cooperatives is very important. There is a great mutual advantage to a cooperative's being based upon a union structure. The union brings to the cooperative experience in collective operation and techniques of organization and provides from its union experience an understanding of the need for discipline to make it a more effective institution. The underlying union structure provides a unifying influence on the various cooperatives based thereon. Unions are well equipped as negotiating instruments with governments and other entities. Cooperatives could place themselves in a stronger position by collaborating through unions directly with the government. A union, therefore, brings to the cooperative not only unifying influence but also bargaining power.

AIFLD holds that while memberships may be similar, the cooperatives must be organizationally independent. Under no circumstances should a cooperative be required or permitted to contribute financially to the sponsoring union. The union dues structure should reflect improved circumstances of its members resulting from operation of the cooperatives.

HANDICRAFT PROJECT OF THE COOPERATIVE LEAGUE OF USA

**by Donald E. Kramer, Director
Artisan Cooperative Handicraft Project
The Cooperative League of the USA
Chicago, Ill.**

The Artisan Cooperative Handicraft Project is operating in the four Andean Nations of Latin America. In each country, a host country corporation has been established, based on local law, and with an ultimate aim of becoming a national marketing cooperative.

The basis for providing funds for the host country corporation differs from one country to the next. In Colombia, the host country funding is a capitalization set up by the quasi-government and private organizations. In both Ecuador and Peru, host country corporations receive their funds directly from the national government. In Bolivia, funding is provided in the largest percentage by an AID grant to the national government. Generally, this nonremissible capital is granted to meet operational expenses.

Profits, generated from sales, are created by attaching a 10 to 30 percent markup on the cost of acquisition of a handicraft item, depending on the country and the nature of the article. It is anticipated that the investment of these profits will accumulate from year to year and that within a prescribed period of time--probably four to five years--sufficient profits and sufficient capital will have been accumulated, enabling the host country corporation to proceed on its own without further subsidies.

Once the host country corporations become financially independent, it is expected that they will probably become central marketing cooperatives. With respect to this eventual transition, several problems must be considered:

1. To what extent should the producing artisans provide the capital needed by the central marketing cooperative, once financially independent?
2. Should the capital structure permit participation by semi-public corporations or independent agencies of the national governments, such as the Central Bank, Tourism Department, etc.?
3. Should capital raising be limited to producing artisans? Should not the opportunity for investment in the central marketing cooperatives be afforded the small industrial concerns having products which the central marketing cooperatives will also sell?

Answers to the above questions, insofar as they relate directly to the organization's financial needs, are being tentatively answered as follows:

1. It is believed that producing artisans should be allowed at first to contribute about 49 percent of the Central Marketing Cooperative's capital needs.

Although there are many good reasons behind this determination, the two foremost are: Consideration should be given in new organizations to letting some measure of control rest with people who, unlike the majority of the rural artisans, have had some experience with the dynamics of marketing organizations and who will have a liberal view on matters of salaries, staffing, ancillary services, etc. A too conservative point of view might stifle the organization in its early life. The artisans, being one of the most coveted sectors sought by shrewd politicians, could easily have this accumulated capital distributed among themselves. This would be detrimental to the organization and might result from the artisans' having absolute control. The same thing may also be said of any other concentrated power structure.

2. Participation in financing is planned to include the artisan producer cooperatives, individual artisans, syndicates of associated artisans, small industries, and semi-public corporations or independent government organizations which are permitted to invest in ventures of this type.

3. Since the Central Marketing Cooperatives, as independent organizations, will depend largely upon volume sales, the marketable products of small industries should naturally and preferably be channeled through those organizations. In consequence, opportunity for capitalization on a membership basis rather than a share basis will be afforded these organizations. These points apply particularly to the situation in Ecuador, but are, with minor changes, equally valid in all four countries.

The problems relating directly to capital raising are several. The artisan of the Andean area, due to his poverty, lives a day-to-day existence. He possesses no capital other than his ability to produce. Raising capital to buy shares in an organization, designed to provide him with marketing and other services, poses a problem. This must be solved early enough in the organizational stages so that the necessary capital will be in his hands when the time for investment arises. This problem cannot be left for the last minute nor to the possibility of his finding other markets for his products, which will permit continued savings. The artisan's primary needs are so many that, unless some measure of forced savings is imposed, savings will not materialize. Such an idea, using a stamp plan and tied to production incentives, is now being considered by our staff.

The second problem in capital raising relates to the artisan's complete ignorance of how to handle money. He has had so little money that he has no idea how to manage it efficiently. Matters such as leverage of savings, dividends to be obtained from continued investments, etc., are too sophisticated in their nature for him to understand at this time. In consequence, the vehicles sought for channeling his savings must provide as much of this necessary instruction as possible.

The third problem is the artisan's need to borrow money occasionally. It is virtually impossible to explain to him that he should save, but that he cannot use this money when he has need for it. The plan devised must also provide for this contingency.

The fourth problem is the need to provide security for the artisan's investment. Past experiences have often resulted in some officer's embezzling the funds, leaving the artisan poorer than ever before.

The fifth major problem in capital raising is the need for flexibility in such a plan for the artisan. A plan which will accomplish the capital-raising goals and purposes of the Central Marketing Cooperative must also possess the flexibility which will permit the artisan to use funds saved to either purchase shares in his community artisan cooperative or to invest directly in the Central Marketing Cooperative. If the plan is not laid out in this manner, the efforts of his savings may be totally lost in the case that formation of a local production cooperative is not desirable or feasible.

As a result of the problems relating directly to capital raising, a plan for gradual capitalization has been jointly programmed with credit unions as one approach to answering the problem. The plan devised was to provide for all the contingencies previously mentioned. It has been conceived as a joint plan to be carried out with the assistance of credit unions. The reasons are numerous, but pre-eminent are the following:

1. Any sound cooperative movement needs a sound credit foundation. By assisting the artisans to strengthen their credit unions through forced savings, we are laying a good credit foundation from which other cooperative organizations, eventually becoming members, will benefit.
2. Credit unions provide instruction of a gradual nature, at the artisan's level, on borrowing, amortization, payment of interest, payment of annual dividends, etc., all within a cooperative frame.
3. Credit unions will loan out money to artisans based on their capacity to repay and productive potential, whereas the local banks will not.
4. Credit unions are now commencing to insure savings of members with added benefit of life insurance accruing for coverage of not only savings, but also loans outstanding.
5. At the time of capitalization of the artisan cooperative, a member who has followed the investment plan will have accumulated sufficient savings to permit him to borrow the entire amount needed for his credit union, leaving his savings intact to give him further credit leverage.

The plan is conceived as follows:

1. As an artisan is given an order, he is advised that the Central Marketing Cooperative will discount a fixed percentage of the total order upon payment. This percentage ranges from 2 to 5 percent depending upon the amount of the order.
2. The artisan can advise the Central Marketing Cooperative in which credit union he desires his discounts to be saved. If he does not, then one is chosen for him. An account is opened and he is issued a passbook, which is used from that time on as his savings record with the credit union.

3. An agreement is reached with the credit union's educational committee to keep close contact with this member so as to bring him gradually within the cooperative sphere.

4. The credit union keeps records of all discounts. The Central Marketing Cooperative only keeps a record which indicates to whom passbooks are issued. In this fashion, the Central Marketing Cooperative will get a monthly record of savings from the respective credit union.

In the initial stages, in addition to the percentage discounted, other saving incentives will be devised for the artisan. This will be accomplished by the raffling of tools, radios, bicycles, etc., among those who have exceeded the savings during the month.

These are presently the plans for development of credit in one country, Ecuador. It is anticipated that changes will be made to meet specific situations in each country as time passes and development continues.

As an important and integral part of the overall Cooperative Development Plan and the work plans for the year, each Host Country Corporation has been implementing a policy of obtaining credit for the artisans. Under this policy, small loans to be repaid upon completion and delivery of an order to the Host Country Corporation by an artisan are being made, as are long, medium and short term loans for facilities, equipment, machinery and raw materials. In the case of Colombia, Ecuador and Peru, these loans run from 30 percent to 100 percent of the value of raw materials needed for production orders. In Bolivia, the advance is limited to 20 percent.

Other loans and advances are available to the artisan, generally on a "catch-as-catch-can" basis. Aside from the artisan loans for production against order, the other loans which are most common are production loans from credit unions, small production loans from a Peace Corps Volunteer's kitty, raw material advances, new product development grants, and immediate payment upon receipt of merchandise by the Host Country Corporation. These loans are almost completely restricted to production loans and are not usable for equipment purchases. There is virtually no source for loans for purchase of capital equipment by the individual artisan.

To the organized cooperative, there are several sources of loans for capital equipment purchases. These include bank loans, CARE cooperative loans, AID loans, and loans from specialized sources, such as the American Institute for Free Labor Development, World Neighbors, and where applicable, the U.S. Ambassador's Fund.

The chronic lack of funds in the national treasuries generally precludes any government source of loans to artisans or cooperatives.

It is thus evident that the development plans, now being implemented as rapidly as possible, will provide, if not a total solution to the problem of small loans to the artisan, at least a sizable beginning from which to progress.

The real stumbling blocks will be central governmental financial practices or laws which affect the day-to-day operations of the Host Country Corporation ultimately to become cooperatives. These practices include:

1. Prohibitions against using government funds for in-country warehousing.
2. A requirement to mark-up all merchandise a minimum of 8 percent with no allowances for mark-downs or losses.
3. Export and purchase taxes amounting to 2 percent up to a total of 13 1/2 percent.
4. Excessively high taxes on the use of certain types of international credit instruments.
5. A requirement to force local deposit of 100 percent of the value of the merchandise in a shipment until such time as reimbursement is received.

Patience, training, understanding and large quantities of faith, hope and empathy will help us resolve these kinds of operating problems which are now placing unnecessary demands for capital on these newly developing organizations.

AID'S INVESTMENT GUARANTY PROGRAM

**by Albert W. Marble, Chief
Cooperative Development Branch
Agency for International Development
U.S. Department of State**

The Investment Guaranty Program, administered by AID, was authorized by Congress under the Foreign Assistance Act of 1961. It is designed to encourage private U.S. capital and technical know-how to participate in advancing economic development and increasing the reproduction capabilities of developing countries.

The Guaranty Program provides protection against three common risks--the risk of convertibility, the risk of expropriation, and the risk against war, revolution and insurrection. Guaranties of this type can be important inducements to cooperatives and other American businessmen, and this, in turn, fosters production of wealth, expansion of employment, improvement of living standards, and, in general, economic development. Such risks are covered only in those countries or areas where the United States has developing agreements with the local government.

In some countries, guaranty agreements do not allow for guaranties or complete coverage against all types of risks. The guaranty risk program does not offer a guaranty against failure to make a profit, federal devaluation of a foreign currency, inability or failure of a borrower to repay due to the commercial losses or against other normal public risks that attend such investments. However, it does offer a practical means of insuring American investors against the three chief dangers, as listed above, which have proven to be the most troublesome.

Cost of Guaranties: Investors must pay an annual fee for protection provided under the Guaranty Program. Rates for the specific risks are the same for each type of guaranty and for each country. They differ, however, depending upon whether the coverage is on investment currently at risk (referred to as "current amount") or whether the coverage is on a standby basis for future use (referred to as "standby amount"), if circumstances permit the investor to use the latter.

The fee for the current amount coverage is 1/2 of 1 percent annually for each of the three types of risks covered. The annual fee of 1/4 of 1 percent is charged for each risk on the standby amount. Although an investor may not change the maximum amount of coverage during the life of the contract, he may increase or decrease the amounts at the beginning of the contract year.

Eligibility: To be eligible for a guaranty, an investment must be approved by AID and must be declared to be the type of an investment that will advance development of the economic resources and productive capacities of developing countries. This would include most AID type projects which promote trade, provide economic development of one type or another, increase farm production, raise standards of living, and the like.

Guaranty Programs are presently in force in more than 55 developing countries, as well as in a number of the overseas dependencies of these nations. As of June 30, there were 1,599 programs in operation covering convertibility, expropriation and war risks for a total of US \$2.5 billion. Six hundred and fifty-five of these programs were in Latin America, 357 were in Near East-South Asia, 174 in the Far East, 125 in Africa, and 288 in Europe.

This program is actually and potentially a wonderful investment for U.S. businesses operating abroad and certainly should be used by our cooperatives.

In fiscal year 1965 AID approved \$67.5 million in loans for cooperative projects of which \$45.3 million were in Latin America. These loans are being made to credit unions, rural electric cooperatives, and cooperative banks, as well as agricultural, marketing, and production cooperatives.

This is in addition to the \$16 million in technical assistance and the loans made by IDB to cooperatives in Latin America.

Seminar IX - Agency for International Development's Partnership with Cooperatives

**CHAIRMAN -- NILS POST, Associate Assistant Administrator
Material Resources, Agency for International
Development**

HUMAN RESOURCES KEY TO PROGRESS IN DEVELOPING NATIONS

**by Frank Sahlman, Director
International Cooperative Development Service
Agency for International Development
U.S. Department of State**

The main purpose of Agency for International Development's (AID) cooperative efforts is to bring more people closer to the mainstream of national life in the developing countries, and to improve their living standards. It is often a slow and difficult process to put the inherent genius of these people to work. Yet, the greatest resources any developing country has are its people and its trained manpower. It is these resources that cooperatives seek to develop and put to work.

Our present methods for providing cooperative assistance were made possible by the Humphrey amendment to the Foreign Assistance Act of 1961. In the four years since this partnership with AID began, the U.S. cooperatives have been able to help people in the developing countries to improve their economic conditions in many ways.

In Fiscal Year 1965 help was extended to 39 countries to develop cooperative enterprises. More than one-half of the AID cooperative projects were carried out under agreements with U.S. cooperatives and farm organizations. These organizations, which are owned by millions of Americans who use their services, are engaged in practically every kind of business.

In addition, substantial help has also been provided by the U.S. Department of Agriculture, whose teams of skilled technicians are busy around the world, applying what they have learned in the U.S. to helping people--not only farm people but all kinds--to improve their living conditions by working together.

But whoever is helping do this big job of building cooperatives--especially rural institutions, because most of the people live in the country--it is a stirring experiment in helping people grow by learning from their own experiences. The impact of cooperative assistance already is being felt in nearly all the developing nations.

A SENSE OF URGENCY -- THE PRESS OF TIME

by Herbert J. Waters, Assistant Administrator
Material Resources
Agency for International Development

The ostensible reason for our being here is to help celebrate Cooperative Month.

The real reason that brings us here is to take a realistic, clinical look at the partnership between Agency for International Development (AID) and U.S. cooperatives.

The record achieved in four years is amazing--there is no better way to describe it.

And that is about as fine a tribute as we--or anyone--can pay to the 22 million U.S. cooperative members of 40,000 organizations for their help in organizing cooperatives in 39 countries.

AID has drawn on the resources of these cooperatives to do the people-to-people job of stimulating individual initiative and a pride in self-help accomplishments. This contribution to over-all economic development can be meaningful only when it leaves behind a productive institution on which economic development can thrive. This is the challenge. This must be our dedication.

The members of this highly qualified panel are going to tell how their organizations have assisted not only cooperatives, but helped to beef up the whole private enterprise sector in the developing countries and they will blueprint some of the plans that lie ahead. The timeliness of this opportunity to review our performance and our goals fits in with our current efforts to develop ways for implementing those recommendations in the Watson Committee Report which calls for increased initiative and involvement by the various segments of the U.S. private sector in foreign assistance.

There must, quite obviously, be a purpose in any sort of partnership.

The purpose of AID's partnership with cooperatives was spelled out quite clearly by Vice President Humphrey when he was a Senator from Minnesota. He had introduced an amendment to the Foreign Assistance Act of 1961 giving cooperatives, credit unions, savings and loan associations and mutual banks an official partnership status in AID, along with other private and nongovernment enterprises.

The Vice President said at that time:

"We need a new democratic dimension to our foreign aid efforts. We must act quickly to extend economic assistance and expert advice which will directly improve the welfare of the people and which will get the people started on concrete programs to help themselves to economic and social progress . . . let us help them follow the path of democratically owned and operated cooperatives."

And cooperatives have been doing that ever since--doing in the developing countries what they already were doing here at home--helping people do things together that they could not do alone.

In saying this--the Vice President was recognizing that the first test any cooperative must pass is to stand up to the competition in the market place.

This is the real test of a cooperative's value to the people who need its help the most--whether that need arises here in modern America or in the most remote and primitive regions of Africa, Asia, or Latin America.

After all, a cooperative is basically an economic machine, designed to perform an important business function, but also equipped to do many other important tasks if it does its main duty well. Unless it is a business success, the secondary benefits that should arise when people join together for a common economic purpose will not come to pass.

Our American cooperatives are well equipped to do missionary work in teaching and training, and then the realistic and functional work of providing competent management and financial guidance. You will hear from some of AID's cooperative partners in greater detail on this.

As cooperatives have done a remarkable job in their first four years of this partnership, recognition is due. But a sense of urgency and the press of time, against which many of the developing countries are racing, call on the countries which are able to help to do even more.

And in this area, I am encouraged by what I believe is a new strategy of cooperative development that is evolving out of our partnership experiences in AID.

We have gone beyond the point where we can build one small, local cooperative at a time. There is neither time nor resources enough to do the job this way.

We also see in country after country--especially in Africa--that the Governments themselves are determined to intensify the usefulness of cooperatives--both in improving the living and well-being of the people and in increasing the production and national income.

In some countries the Planning Boards are proposing to lay in a "prefabricated" pattern, dropping local cooperatives in hundreds of different places, and backing them up with a secondary and national structure.

This isn't the way we did it--in our time--or in our country.

But that is no reason why it will not work elsewhere.

And, let me quickly add, it is our good fortune that American cooperative leaders are pragmatic and realistic enough to realize that something like this may be necessary, and are preparing to make a real contribution in helping these countries with their plans.

There is need for bold, new thinking.

To make this kind of a program work, and to stimulate private initiative, we must find ways to give the most encouragement to private enterprise and the fullest possible cooperation within the private sector, and between the private and public sector.

We will be required to pull on many strings at the same time.

The record of accomplishment so far should give us confidence and the optimism that we can meet and deal successfully with the challenge.

There may still be problems to meet--there always will be--but with this kind of effort, it demonstrates what can be done in a private-enterprise economy in which a government wisely provides the assistance necessary to get the wheels turning.

The time is here, and by using fully the resources of American cooperatives, a new strategy of cooperative development will succeed.

THE SINEWS OF PEACE

**by Thomas B. Keehn, Special Assistant
for International Programs
The Cooperative League of the USA
Chicago, Ill.**

First--a backward glance.

Four years ago, with a new Agency for International Development (AID) opening the door, we entered upon a decade of development. Using the Humphrey Amendment as a key to the door, we in the United States cooperative movement became--for the first time--full-fledged partners in the international development process rather than distant cousins. Some of us in cooperatives, credit unions and savings and loan associations had done what we could using our own limited resources. But suddenly--in 1961--the impossible became possible.

In the past four years those of us who are serving on this panel today have joined hands with AID in almost every part of the world. We have learned a new vocabulary of such esoteric terms as global contracts, task orders, E-1's, country programs, participants, consultants and advisors--and advisory committees. The results of these joint efforts have been chronicled in four annual reports to Congress.

We have read with great appreciation the recognition which the Advisory Committee on Private Enterprise gave to cooperatives in its recent report. Could it be that U.S. cooperatives and other private business, in collaboration with AID, will put their talents and their resources to work unitedly in the developing countries of the world?

First, we who constitute the group of cooperative contractors with AID have learned that in the complex job of international cooperative development we each have a special and essential role to play. We have begun to talk about coordination and joint planning and to act to make our talk meaningful. As a result of a number of meetings the cooperative contractors have evolved, with AID, a plan for coordinated cooperative development in Kenya. This, we hope, will become a reality soon.

The cooperative contractors, working together, also plan to produce a joint strategy statement on the role of cooperatives in international economic development. They are also planning to produce a Directory showing the resources and capabilities of all the cooperative contractors which should provide a valuable resource document to AID.

All of these are at the U.S. level of coordination and promise a better and more effective future for international cooperative development.

On the international scene some concrete steps have been taken to achieve better planning, coordination and utilization of cooperative resources.

In September, the Danish cooperative movement and the Danish government convened a working conference of representatives from Western European and North American countries and international organizations to consider the problems of technical assistance to the developing countries. Frank Coffin, formerly Deputy Director of AID and now in Paris, represented the U.S. government, and I was there for the Cooperative League.

A number of European countries--especially the four Nordic countries--are taking a greater interest in cooperative development in Asia, Africa and Latin America. There is a growing need for exchange of information and coordination of efforts. Some duplication of efforts has occurred--in Africa and in Latin America and in training programs in the developed countries. The Danish conference helped these problems and other steps are planned.

The Organization for Economic Cooperation and Development, headquartered in Paris, through its Development Assistance Committee, promises to become a more effective instrument for coordinated cooperative planning and development at the governmental level.

The International Cooperative Alliance--located in London--will produce a calendar which will report cooperative seminars, training programs and technical assistance planned by cooperatives, governments and international organizations. The first calendar is to be produced by the end of 1965 and will cover the year 1966.

The International Labor Organization, Food and Agriculture Organization and International Federation of Agricultural Producers have also shown a growing interest in the field of international cooperative development.

And so we can see, in brief outline, the course of things to come. Cooperatives are democratic institutions for economic and social development.

In this program of international cooperative development we are helping to build strong sinews which will bind people and nations together in a world of peace. Technical assistance and training programs today are the first steps which will lead to international cooperative trade and financial relationships tomorrow. These are the goals toward which all our projects and programs, our old and new strategies, are dedicated.

THE MONEY GAP

by H. C. Fledderjohn, President

International Cooperative Development Association

I think we can assume that anyone who has studied the situation does not need to be convinced of the special contribution which cooperatives can make to the development process. A knowledge of cooperative history, an observation of the operation of cooperatives in the United States, and our experience in the development of cooperatives in the developing countries--all would support the conclusion that these cooperatives can be a vital tool in the total development process.

Our subject then, today, is not: "Should cooperatives be developed?" but "How can they best be developed?" and I have been asked to speak on the particular problem of capital, since capital is one of the vital elements in effective cooperative development.

American cooperative experience may be pertinent to the discussion at this point. Most cooperatives here were started by farmers with very limited funds, many of them essentially on no funds at all, but with a proviso that the savings realized by the cooperative activity would be distributed to the patrons in proportion to patronage--not in cash but in equity shares--so that the cash could be used to retire indebtedness expense, the business could buy new facilities, and so on.

I have seen no absolute studies on the matter, but I would estimate conservatively that at least 90 percent of the capital now used by American cooperatives was generated in this way. This is not unlike the process that is used in profit business. The New York Stock Exchange Annual Report generally indicates that the American corporations listed there distribute about one-half of their profits to the stockholders, and the other half is plowed back into the business, and this means that by far the greatest share of new capital used by American business--cooperative and non-cooperative--has been generated by the operation of the business.

We were fortunate in the United States that there were created (as a part of the Farm Credit System) the banks for cooperatives. These made it possible for the U.S. cooperatives to utilize their base of equity capital (that belonged to farmer-members and patrons) as a basis for borrowing additional funds, on favorable terms, so that they could expand their operations more rapidly. These loans were and are retired by the retaining of operating margins in the business, with the distribution usually being made to patrons in the form of additional shares.

It is this process which led Howard Cowden, then manager of the Consumer's Cooperative Association, Kansas City, Mo., to comment, some years ago, that "factories are free for cooperators". He meant essentially that if a way could be found to finance the facilities needed to produce the goods that cooperative members needed, then--using the principle of operating at the market price and returning as necessary the patronage refunds in the form of equities rather than in cash--that members of cooperatives could own the facilities they needed, essentially without additional cash investment on their part.

Competition, especially that provided by the cooperatives themselves, has narrowed operating margins in many fields of activity, but it is still true that the businesses can be self-liquidating by this process of returning the savings back into the business and deferring the actual distribution of refunds until businesses are paid for or adequately financed.

In general, this system is thought to be applicable to the development of cooperatives in the developing countries. However, there are two difficulties:

1. In many instances the people who would stand to benefit by the ownership and operation of a cooperative enterprise lack even the very basic seed capital that would get it started, and in addition, if they start with a very modest enterprise, the accumulation of savings is so slow that it can be some years before the cooperative is large enough and has resources enough to make any real impact in the economy.

In other words, we are really operating against time in cooperative development, and we must find some device for accumulating capital that will make it possible for these new cooperatives to shorten the development time so that they do make the full contribution to the economy of their country which is inherent in their nature.

2. A closely related problem in cooperative development is that of management. U.S. cooperatives learned--often by bitter experience--the lessons of management at the time that they were developing the needed capital. If we are to find ways to put in substantial amounts of capital into newly-formed cooperatives in the developing countries, then we must also find ways to give guidance in the management of these cooperatives until the necessary experience has been accumulated by the nationals who will be taking over the responsibility for operations when outside capital has been retired.

Essentially, we have defined the function of the International Cooperative Development Association (ICDA) in these two problems.

The ICDA is a federation of leading cooperatives and associations of cooperatives in America who have banded together to make available their experience and know-how in the field of cooperative operations. The members of ICDA cover a broad spectrum of cooperative activities in agricultural marketing and processing, in the production and distribution of agricultural supplies, in consumer goods, in related services such as insurance--in fact, nearly all the skills that would be needed in the development of a well-rounded cooperative movement in any country.

We have a growing bank of names of people with special skills in ICDA who have indicated their willingness to work overseas in cooperative development as the opportunities exist or develop.

We have been less successful in the sticky problem of providing the seed capital that I have described as necessary. It is true that many governments in the developing countries have made funds available, either directly or through cooperative development banks. The Inter-American Bank, the World Bank and other such institutions have funds also which could be made available for cooperative development. AID, through Cooley loans, PL 480 commodity funds, and with other devices, also has capital that could be used by developing cooperatives.

However, almost without exception, these loan funds that are available are available on banker's terms; that is, the borrower is presumed to be in a position to advance a substantial portion of the funds that are necessary for an enterprise, and then the lending agency will provide the balance. So far, we have not found the source of this seed capital which will be needed.

The ICDA is making diligent efforts to locate capital--among American cooperatives, in the private investment sector of our economy, and through devices such as underwriting, by American cooperatives, loan funds which would essentially be borrowing the credit of U.S. cooperatives--and it is to be hoped that we will come up with some solution, either on our own, or with the help of AID, to this problem.

Then, with the help of the loan funds which are available, cooperatives' facilities can be acquired and operations instituted. And if, under good management, these indigenous cooperatives follow the Rochdale rules--of pricing at the market and returning the savings to the member-patrons in equity rather than in cash, and this cash is used to liquidate the indebtedness and the foreign investment--then these institutions can quickly be brought into full ownership of their national members.

Using this system, we can greatly speed up the process of cooperative development and help the cooperative sector to be the dynamic force for progress which is inherent in the nature of the cooperative movement.

FUNCTIONAL ASSISTANCE FOR COOPERATIVE DEVELOPMENT

by John Eklund

Executive Vice President

Farmers Union International Assistance Corporation

Several emerging developments in the total concept of development assistance are causing the private organizations and institutions of the United States to take a new look at the contribution they can make.

These appear to be: (1) Putting agricultural and rural development into a more central position, (2) increasingly serious food gap, and (3) creating the machinery to get more capital into agriculture as a means of stimulating economic growth.

Fundamental to these realizations is the role that the economic institutions in the U.S., among them the whole galaxy of cooperatives, can and will play in the "new look" in development assistance.

The strategies I see in the immediate months ahead are:

1. Articulating the unique contributions that cooperatives can make. These seem to me to involve:
 - a. Integrated cooperative development planning.
 - b. A flexible program of assignments bringing U.S. cooperative expertise to bear in terms of the rate and level of development of cooperatives in receiving countries.

c. A process of consortium contracting that would pull together for appraisal purposes the total cooperative resources in the determination of priorities.

d. The creation of an institutional pipeline between U.S. cooperatives and cooperatives in developing countries that will be operational long after the initial AID supported stimulus has run its course.

2. Finding a way to project coordinated economic development planning within recipient countries.

3. Relating such development assistance to the "have not" segments of developing nations.

Just as the Marshall Plan provided capital infusion to rebuild the industrial capability of Western Europe, as the universities spearheaded the creation and guidance in technical assistance, so now in this new area of challenge--operational and institutional development--I see the cooperatives as a major element.

If the new development assistance could be given an identification, the term might well be "functional assistance."

This "functional assistance" would mobilize the operational, managerial and institutional formulation capacities of U.S. cooperatives, applying in direct fashion the functional know-how of U.S. cooperatives and cooperators across the board.

COOPERATIVE HOUSING DEVELOPMENT NEEDED

by J. David McVoy, Coordinator

Global Contract Program

Foundation for Cooperative Housing

The gap in housing in the developing countries is tremendous and we can hardly do more than to see how far it is and plan the beginning of the jump. How do we approach the jump?

Of primary importance is the recognition by the "powers that be" of the absolute necessity of a housing planning, finance and building industry as a vital, productive and integral part of an economic development program in developing countries. Once this is accepted and supported, the ingredients of a housing program and building industry can begin to be put together and developed.

External finance is often helpful and useful in stimulating development in housing, but the long term development must depend primarily on the mobilization of local resources through credit unions and savings and loan type institutions. It must be possible for the stable wage earner, singly or in cooperative groups, to finance a new home as easily as a radio or a bicycle can be financed.

Local natural resources must be utilized in processing and producing permanent modern building materials which can give extended value to housing investment.

Local professional and trade skills must be developed to a level of competence and adequacy of supply to assure competent planning, construction and maintenance.

Permanent and self-perpetuating institutions must be developed to support the building industry, carry out long range planning, handle the finances, manage the housing programs and maintain the necessary controls and standards.

Housing programs must evolve from the social and economic needs of the evolving societies in which they are being developed. In addition to the material and financial resources of a country, the human resources must be mobilized and utilized whenever possible in the form of cooperative self-help building efforts.

Cooperative housing in various forms can:

1. Help to maintain and perpetuate the desirable aspects of those traditional cooperative practices inherent in the societies of so many developing countries.
2. Help the emerging farmer to cooperatively acquire a decent home.
3. Make it possible for a worker to give of his time and effort working with others to acquire a home of his own.
4. Help the lonely urban worker who has severed ties with family and village community to re-establish a sense of home and community in a cooperative housing project.
5. Help to reduce costs of construction, legal fees, management and maintenance.
6. Help to acquire better financing and assure better repayment through group responsibility.
7. Help to develop communities rather than just housing projects.

Perhaps the most valuable contribution of cooperative housing can be its democratic structure in which the individual cooperator can participate equally with his fellow cooperator in benefitting to the maximum by his own labor and in guiding the destiny of his own community.

This can be a Schoolhouse for Democratic Action.

The Foundation for Cooperative Housing, through its non-profit subsidiary, FCH Company, Inc., has been very active in laying the groundwork for providing something that's there. During the past three years we have carried out some 27 Task Orders under contract with AID in Latin America and Africa. At the present time we have cooperative housing specialists and active cooperative housing programs in 10 countries.

These programs range from building \$300 cooperative self-help homes in Panama in cooperation with CUNA to a \$34 million high-rise project in Argentina being developed in cooperation with AID, the Inter-American Development Bank and the Municipality of Buenos Aires.

In addition to the widespread and wide range AID programs, we are under contract with the Inter-American Development Bank and the Ecuadorian Housing Bank for the development of cooperative housing programs.

A significant beginning has been made during this brief span of three years. We are encouraged by the progress and look forward to increasing participation in the initiation and development of cooperative housing programs as an integral part of development assistance in countries throughout the world.

U.S. SAVINGS AND LOAN ASSOCIATIONS ARE POTENTIAL CAPITAL SOURCES

**by William J. Kerwin, Acting Director
International Program
National League of Insured Savings Associations**

Savings and loan associations are a simple, practical way of mobilizing the savings of mostly middle-class people, so that their pooled resources provide the nest-egg capital which can stimulate home building and home ownership.

The Agency for International Development seeks to encourage their development in many of the countries it is assisting, and one of the means is to mobilize the technical and human resources of U.S. Savings and Loan associations through the National Federation of Insured Savings Associations, which in turn contracts with AID to carry on organization and development work.

Good progress has been made since 1960, when the big push was started in Latin America. As of the end of Fiscal Year 1965, there were 93 associations operating in 9 Latin American countries, with 365,000 members and \$143 million in mobilized member shares. These associations have \$180 million out in first mortgage loans. More than 41,000 new homes have been financed to date.

A start also is being made in Africa, with two associations operating in Nigeria and one in Ethiopia. Plans are developing for organizing new associations in Iran and others in Pakistan and India, among the Near East and Asian countries.

While balance of payments is a delicate question, the U.S. savings and loan associations feel that for the long pull the financial help U.S. associations could provide would be beneficial to investor and borrower. There is legislation pending in Congress that would authorize an International Home Loan Banking system, in which U.S. savings and loan associations would invest "excess" funds to assist with mortgage discounting in foreign countries. It is felt that many millions of dollars would be available.

BUILDING WITH CENTAVOS

**by Clarence Murphy
Project Director
CUNA, International
Madison, Wis.**

A centavo, one hundredth part of a peso, or in the United States, equal to less than one half cent, is insignificant in itself but multiply it by tens, hundreds, thousands, yes millions, it becomes a mighty force in the economic lives of people of moderate and lowly means, who are and become members of cooperatives, working together for their own socio-economic improvement.

This is vividly demonstrated by accomplishments of credit union members in Latin America, who by "working things out together" in the tradition of mutual self-help, have accumulated \$26.5 million in savings, the preponderance of which is new capital flowing into the economic blood stream of these countries. Those heretofore were stagnant savings hidden in mattresses, or roofs of their homes, buried in the ground, or invested in livestock or jewelry.

This capital accumulated by 575,000 Latinos represents one of the first breakthroughs of economic self sustenance of the down trodden, the under-privileged, and the poverty stricken. Impressive as this appears at first blush it is but a small island in a great sea of human despair which has existed for hundreds of years in Latin America.

These accumulations have in the short period of ten years established credit union roots in the fertile soil of human acceptance. Given even less time they will multiply themselves and eventually serve more than 10 percent of the people of Latin America. Multiply this by an expanding development in other regions of the world, Africa, the Near East, South Asia, and the Far East, and we will see unfold a greater prosperity for all.

Of equal importance is the resulting development of the human resource, so important to the welfare and prosperity of any land. An important part of any cooperative program is leadership training and member education by means of seminars and conferences and development programs--thus preparing people of low levels of literacy to understand and accept roles of responsibility and to appreciate the meaning of cooperation.

Credit Unions offer a flexibility of relating to other cooperatives. In this we see them as a catalyst; a common cooperative denominator to which they can relate without surrendering their individuality. Nor do credit unions stop with cooperatives. They function with equal effectiveness among villages, residential areas, trade organizations, churches, employee groups, or any group joined together in a common endeavor.

Building together with centavos through cooperative enterprise offers hope to the people of the developing countries of the world to gather together under the "umbrella of the little man" for economic security, assistance in times of stress and an effective means of socio-economic improvement for all.

BRIDGING THE GAP BETWEEN THEORY AND PRACTICE IN INTERNATIONAL COOPERATION

**by Adlowe L. Larson, Director
International Cooperative Training Center
University of Wisconsin, Madison, Wis.**

The International Cooperative Training Center of The University of Wisconsin was created in 1962 to help transfer cooperative know-how of the United States to the developing areas of the world with the help of cooperatives of the United States and AID. The major purpose was directed at improving economic and social conditions in developing areas by democratic processes. In the intervening period of slightly over three years, almost 700 people from approximately 60 countries have received training in the Center.

What is the scope of the Center's activities? Its major activity is training and its major training activity is the Cooperative Seminar in which trainees receive intensive training for a period of 14 weeks. This is followed by a period of four weeks of field training at U.S. cooperatives, and a final two week period for summarizing and integrating the total experiences of the trainees--namely, their training at the Center and at U.S. cooperatives coupled with their education and experience in their home countries. This training covers the whole scope of cooperative activity, but special short courses are taught for such areas as Agricultural Cooperatives, Rural Electric Cooperatives, for Labor Leaders, for Community Development Workers, and for Extension workers.

In addition, the Center has done research and consulting work for some developing countries. Center staff members have been in each of the continents but Asia, and we plan to start in a country there next month. The Center hopes to be much more of use to these developing areas in the periods ahead.

Our new International Cooperative Training Journal will be of increasing use in developing areas. Its mailing list includes our trainees in addition to many others here and abroad.

I want to give a picture of our training: First, we make an effort to meet our trainees as they arrive at the airport. This week approximately 20 more will be joining our current seminar of 25. They stay in dormitory space arranged for by the Center. When they come to classes, they meet in the new Wisconsin Center just off Lake Mendota, a facility used exclusively for adult training. Our offices are in the new University Extension Building located just a block away.

Our teaching staff numbers five, but in addition we have a Community Activities Director and an Editorial Assistant. Other part time instructors also help. Our trainees come from all over the world. Countries currently represented include Korea, Formosa, Philippines, India, Pakistan, Malawi, Tanzania, Zambia, Cameroons, Jordan, Brazil, New Guinea, Greece, Nigeria and Chile. Others to be represented by those arriving this week are Uganda, Thailand and Peru. It truly is a world-wide representation--almost a little United Nations with its simultaneous translation in different languages.

While at first, almost all of the long-term trainees were government employees of cooperative departments of developing countries, there has been a significant increase in numbers of non-government employees attending our cooperative seminars. These have been mainly cooperative employees, although we have had a number of people from church-related organizations--as missionaries. Most of our trainees here for short courses are not, however, government employees.

Our course work is directed toward making application of knowledge in cooperative operation. In doing this, we study cooperative principles and philosophy, principles of economics, economic development, sociology, community development, management, public relations, cooperative education, communication, credit and finance, and marketing. These classes are a combination of lectures and discussions intermixed with specialized speeches from cooperative leaders, field trips, and other activities.

A feature of our seminars is a country report prepared by representatives of each country at the seminar in which the society and economy of the country are described and an analysis is made of its cooperative activities.

Following the coursework, four weeks in field work are spent by the trainees at U.S. cooperatives as nearly similar as possible to the ones in which the trainees are likely to work in or within their own countries. This is arranged for by the program coordinator of International Cooperative Training, Inc., representing cooperatives of the United States. This field training is tailor-made for each individual and follows comprehensive interviews with the trainees and the selection of cooperatives around the country most likely to be suitable. Over 150 cooperatives, for example, were visited by trainees visiting our previous cooperative seminar.

A phase of our work receiving increasing emphasis in our Center is that of community activities. Many of us in AID, in cooperatives and at the University want each trainee to have a broad learning experience in the United States so that he not only learns about cooperatives, but also about American life. Making up in part this total activity are lectures, concerts, picnics, receptions, visits to schools, P.T.A.'s, civic clubs, observations of voting, and trips such as one last summer to Chicago to visit a cooperative, the Art Institute, the Museum of Science and Industry and a baseball game. While no one of these tells what American life is, each in part helps explain.

What are the results of all this training? There is increased understanding of the possibilities which cooperatives have in developing areas. Important too, is the establishment of friendships, directly between the Center and cooperative personnel on the one hand and our trainees on the other. This friendship is representative of an actual existing, and not just potential, greater international friendship with strongly motivated, able and dedicated developing leaders of the developing nations.

Just what happens to these trainees when they return to their country or within a short period of time? The letters we have received from many who have been here tell of such changes as this: One from Tanzania has been promoted to a Senior Cooperative Officer, another from Kenya is in charge of Government Credit Union work in one of the major regions, another from Kenya was formerly an Inspector of Cooperative Societies, and is currently a Cooperative Officer for Settlements in Cooperative Societies. One in Uganda who had previously been Manager of a coffee curing works moved to become

Manager of a larger cooperative factory. One in Nigeria who had been Assistant Registrar of Cooperative Societies became acting Senior Assistant Registrar of Cooperative Societies in charge of the Aba Area Office. One who had been chief of the Training Section in Viet Nam is not only that, but also chief of the Division of Research and Documentation. One from Tanzania who had previously been Senior Cooperative Inspector is now in charge of a Secondary Regional Cooperative with twenty affiliated cooperatives. One in church work in Colombia greatly expanded his activities through founding credit unions in addition to those already in existence. These changes are not an indication only that the trainees may have received much benefit from their training here, but also that those who were selected to come here were people considered to be, as we would say, "on their way up." In my estimation, the Center is providing a dual role in that of training cooperative technicians and officials and in training leaders. This latter work we are strengthening.

Our Center is very happy to have a part in the team approach in AID's work in developing areas, and looks forward to increasing participation with AID and its contractors in developing more useful programs of aid to developing areas. The need is terrific and the opportunities are even greater.

LIGHTING THE WAY WITH ELECTRIC POWER

by Thomas M. Venables, Coordinator

Global Contract Program

National Rural Electric Cooperative Association

Last January (1965) President Johnson told National Rural Electric Cooperative Association's members: "You are lighting the lamp of progress in the underdeveloped countries of the world."

When the cooperative rural electric systems of the United States offered their assistance to the predominantly rural developing countries, they visualized the same dramatic changes that electrification made in rural life in this country. Now, three years later, their hopes are being fulfilled; but they are impatient to move more rapidly.

They, and we at NRECA, look at the studies we make to establish the feasibility of a given project only as means to an end. We want more projects in construction and delivering light and power to those without it--this is the end toward which we work.

But, since statistical score-keeping is an obsession with many of us today, we feel we must report that NRECA has sent 53 of its member systems' specialists into 21 countries to study, recommend and build. All have made good studies--some countries are already benefitting, and many more will develop viable and economically sound electric systems.

At this time, AID has approved loans for new cooperatives in Nicaragua, Colombia, Costa Rica and Ecuador, and a loan to strengthen existing cooperatives in Chile--all in Latin America.

Country surveys have been completed in Sierra Leone in West Africa and in Thailand, Laos and Viet Nam in Southeast Asia, with construction soon to begin in South Viet Nam.

In addition, four of our specialists have participated in National Power Surveys in Korea and the Philippines. In both countries the study teams recommend cooperative electrification of the rural areas. Hopefully this will begin in the Philippines later this year.

Our objectives have largely been to improve social and economic opportunity. Although light is important as an aid to education and has definite esthetic values, we place even greater importance on the value of power to start turning the wheels of industries--large and small.

Within less than one year after the cooperative was activated in Santo Domingo de los Colorados, Ecuador, the following small businesses and industries were established:

1. Ice manufacturing plant
2. Soft drink bottling plant
3. Spaghetti factory
4. Coffee and cocoa processing plant
5. Meat storage plant
6. Two saw mills
7. Motel
8. Radio station

All have created new jobs and income.

Here is a tested democratic institution complementing and enhancing private enterprise. This is the pattern wherever good, reliable rural electrification is introduced and developed by the people themselves. It has never failed.

The objectives of rural electrification, formerly social and economic development, have now assumed a new dimension in Southeast Asia--as a tool for peace!

I would like to conclude by quoting from a petition signed by more than 1200 prospective members of a cooperative at Tuyen Duc, South Viet Nam. Here is their own expression of what rural electrification will mean to them:

"Not only will it give us the opportunity to have the light of civilization, but in the future it will help us improve our rural life, mechanize our agriculture and give us more production as it eases our burdens. Where there is light, darkness steps back; and where there is no poverty, no communism is possible."



Agency for International Development's (AID) partnership with cooperatives in international development was described at a seminar moderated by Nels J. Post of AID. Participants were (standing, left to right), William J. Kerwin, National League of Insured Savings Associations; Adlowe L. Larson, International Cooperative Training Center; Herbert J. Waters, AID; Frank M. Sahlman, AID; Clarence Murphy, CUNA International, Inc.; John M. Eklund, Farmers Union International Assistance Corporation, and, seated, Herbert C. Fledderjohn, International Cooperative Development Association; Thomas Keehn, The Cooperative League of the USA; Mr. Post; J. David McVoy, Foundation for Cooperative Housing; and Thomas M. Venables, National Rural Electric Cooperative Association.

USDA committee on the 1965 Cooperative Month Observance for October by the Department checking symbol and prize-winning photographs from cooperatives for use and display during the Observance. From left--Frank Hussey, Secretary's office; Job Savage, Director, Management Services Division, Farmer Cooperative Service; C. B. Gilliland, Deputy Administrator, Rural Community Development Service; Beryle Stanton, Editor, News for Farmer Cooperatives; Joseph G. Knapp, Administrator, Farmer Cooperative Service; and Noel Stocker, Cooperative Bank Service, Farm Credit Administration.



Committees and Participating Agencies

The 1965 Cooperative Month Observance Committee Chairmen were:

General Chairman, Assistant Secretary of Agriculture John A. Baker.

Planning Committee Chairman, Joseph G. Knapp, Administrator, Farmer Cooperative Service

EXECUTIVE COMMITTEE

Program Coordinator and Chairman, C. B. Gilliland, Deputy Administrator, Rural Community Development Service, and Executive Secretary, Cooperative Advisory Committee.

Opening Day Committee, Frank W. Hussey, Office of the Secretary.

Seminar Committee, Job K. Savage, Director, Management Services Division, Farmer Cooperative Service.

Outside Groups Committee, (Co-Chairmen) Glenn E. Heitz, Deputy Governor, Farm Credit Administration, and Paul O. Mohn, Federal Extension Service.

Information Committee, Mrs. Beryle Stanton, Office of Management Services, and Vice-Chairman, Donald K. Childers, Office of Information.

U.S. Department of Agriculture Agencies

Participating in the Cooperative Month Observances:

Agricultural Research Service
Agricultural Stabilization and
Conservation Service
Cooperative State Research Service
Consumer and Marketing Service
Economic Research Service
Farmer Cooperative Service
Farmers Home Administration
Federal Crop Insurance Corporation

Federal Extension Service
Foreign Agricultural Service
Forest Service
International Agricultural Development
Service
National Agricultural Library
Rural Community Development Service
Rural Electrification Administration
Soil Conservation Service

Other Government Agencies:

Farm Credit Administration
Agency for International Development
Department of Health, Education and
Welfare

Department of the Interior
Department of Labor
Housing and Home Finance Agency
Office of Economic Opportunity

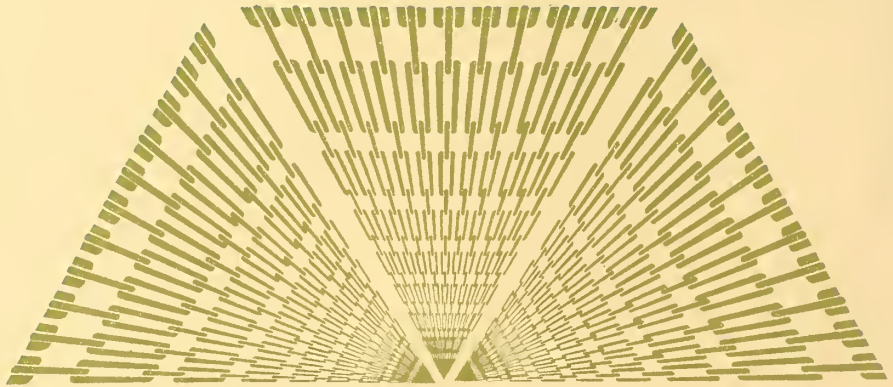
States Observing October as Cooperative Month in 1965

Colorado
Connecticut
Georgia
Hawaii
Idaho
Iowa
Kansas

Kentucky
Maine
Maryland
Michigan
Minnesota
Mississippi
Nebraska

North Dakota
Ohio
South Dakota
Texas
Virginia
Washington
Wisconsin

District of Columbia Commissioners also issued an Official Proclamation in recognition of October as Cooperative Month.



Cooperatives-Partners in American Life

